

**Fiscal Plan for the Municipal Revenue Collection Center**

# Improving Property Tax Collections

**Fiscal Years 2022 through 2026**

**As certified by the Financial Oversight and Management Board for  
Puerto Rico**

***April 23, 2021***

## Disclaimer

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## List of Acronyms and Key Terms

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2001 CRIM Loan	GDB loan dated June 28, 2001, pursuant to Act No. 42-2000
2002 CRIM Loan	GDB loan dated March 18, 2002, pursuant to Act No. 146-2001
2020 CRIM Fiscal Plan	CRIM Fiscal Plan certified by the Oversight Board on June 26, 2020
2021 CRIM Fiscal Plan	CRIM Fiscal Plan certified by the Oversight Board on April 23, 2021
A/R	Accounts Receivable
AAFAF	Fiscal Agency and Financial Advisory Authority
Act 16-1960	Act No. 16 of May 31, 1960, as amended
Act 60-2019	Act No. 60 of July 1, 2019, as amended
Act 72-1993	Act No. 72 of September 7, 1993, as amended
Act 75-1987	Act No. 75 of July 2, 1987, as amended
Act 80-1991	Act No. 80 of August 30, 1991, as amended
Act 83-1991	Act No. 83 of August 30, 1991, as amended
Act 106-2017	Act No. 106 of August 23, 2017, as amended
Act 253-2018	Act No. 253 of December 6, 2018, as amended
Act 107-2020	Act No. 107 of August 14, 2020, as amended
Agency	Municipal Revenue Collection Center
ARP Act	American Rescue Plan Act of 2021
ASES	Health Insurance Administration
Basic Municipal Contributions	Base tax rate on property (4% personal, 6% real)
CAE tax	Special Additional Tax
CARES Act	Coronavirus Aid, Relief and Economic Relief Act
CDBG-MIT	Community Development Block Grant for Mitigation
CDL	Community Disaster Loans
Central Government	Central Government of the Commonwealth of Puerto Rico
Commonwealth	Commonwealth of Puerto Rico
COR3	Central Office for Recovery, Reconstruction and Resiliency
CRIM	Municipal Revenue Collection Center
CRIM 360	CRIM's unified billing system
Digital Cadaster	Digital Cadaster of Puerto Rico
Electronic Lottery	Additional Lottery System
ERP	Enterprise Resource Planning
ERS	Retirement System for Employees of the Government of Puerto Rico

FEMA	Federal Emergency Management Agency
FOMB	Financial Oversight and Management Board for Puerto Rico
FTE	Full-Time Employee
FY	Fiscal Year
GDB	Government Development Bank
GNP	Gross National Product
GO	General Obligation
Government	Central Government of the Commonwealth of Puerto Rico
Hacienda	Department of the Treasury of Puerto Rico
HANSEN	CRIM's existing billing application
HUD	U.S. Department of Housing and Urban Development
La Liga	An organization comprised of municipal mayors
Law 29-2019	Law No. 29 of May 17, 2019
Loan Agreements	Loan Agreements for the 2001 CRIM Loan and the 2002 CRIM Loan
MFA	Municipal Finance Authority
MOU	Memorandum of understanding
Municipalities	Collectively, the 78 Municipalities of Puerto Rico
Municipal Code	Act No. 107 of August 14, 2020, as amended
Oversight Board	Financial Oversight and Management Board for Puerto Rico
PayGo	Pay-as-you-go pension contributions to the Commonwealth's system
PRASA	Puerto Rico Aqueduct and Sewer Authority
PREPA	Puerto Rico Electric Power Authority
PROMESA	Puerto Rico Oversight, Management, and Economic Stability Act
Regulation 9094	Regulation Number 9094 of June 18, 2019
RFP	Request for Proposals
State Redemption Fund	Fund holding the 1.03% property tax levied pursuant to Act 107-2020 collected by CRIM
SKALA II	CRIM's new property appraisal system

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## Executive Summary

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The Municipal Revenue Collection Center (“CRIM” for its Spanish acronym, or “Agency”), plays a vital role in supporting Puerto Rico’s 78 municipalities (“Municipalities”) in their economic and social development by ensuring an efficient process for collecting and distributing real and personal property taxes. CRIM must seize all opportunities to maximize property tax collections and ensure the effective distribution of these funds to the Municipalities so that Municipalities can fund essential services and pay their statutory and contractual obligations. This Fiscal Plan for the period covering Fiscal Year (“FY”) 2022 through FY2026 (“this Fiscal Plan” or the “2021 CRIM Fiscal Plan”) is an update and a continuation of the requirements set forth in the CRIM Fiscal Plan certified by the Oversight Board on June 26, 2020 (the “2020 CRIM Fiscal Plan”).

In accordance with the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), this Fiscal Plan projects a baseline forecast of the sources and uses of funds for the next five (5) fiscal years based on historical trends and discussions with CRIM management. In order to provide a greater revenue base for the Municipalities and ensure greater fairness in property tax collections, CRIM must implement certain measures to improve operations and tax compliance. These measures are incremental to the baseline projections and must be successfully implemented to achieve this Fiscal Plan’s targets.

The measures outlined in this Fiscal Plan focus on enhancing property tax collections by achieving operational efficiencies and improving compliance to ensure all property owners pay their fair share of taxes. The enhancement of property tax collections is an important step to help the Municipalities reduce their reliance on the transfer from the Commonwealth. Similarly, improving property tax collections is a vital step to strengthen local municipal economies which will allow local investment and economic growth. This self-sustaining growth cycle will ensure the Municipalities achieve long-term fiscal sustainability to continue to offer essential services to the people of Puerto Rico.

- **Ongoing operational efficiencies** – CRIM is undergoing an operational transformation centered around replacing outdated and inefficient applications and hardware, implementing best practices for business continuity, re-engineering processes to improve services to the Municipalities and taxpayers, and establishing a more data-driven culture. These initiatives should serve as the foundation for CRIM to implement strategies for successfully enhancing tax revenue collections.
- **Improve tax compliance** – CRIM is undertaking various measures to improve collaboration with other government agencies and to update the tax rolls to accurately reflect property taxable value and ownership. These measures will allow CRIM to better capture unrealized property tax revenues by increasing tax compliance and improving overall collection rates.

Success will come from CRIM’s ability to effectively collaborate with the Municipalities, other government agencies, and the Financial Oversight and Management Board for Puerto Rico (the “FOMB,” or “Oversight Board”) to implement the initiatives outlined in this Fiscal Plan.

## Part I. Context

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### Chapter 1. History of CRIM

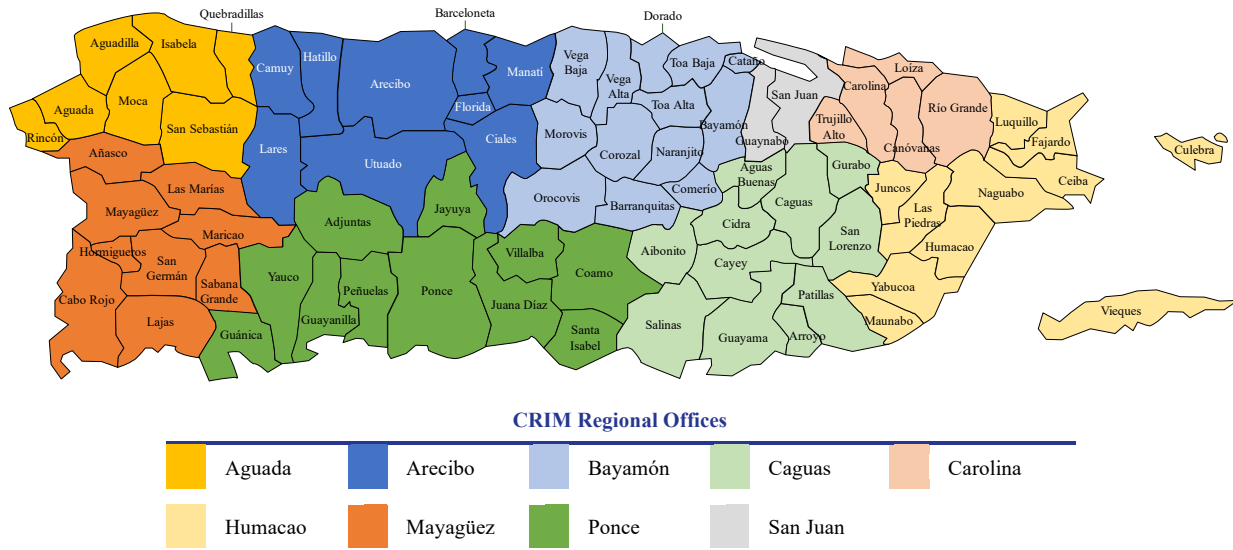
CRIM was created as an entity independent and separate from any other agency and instrumentality of the Commonwealth of Puerto Rico (the “Commonwealth,” or “Government,” or “Central Government”) through Act No. 80 of August 30, 1991, as amended (“Act 80-1991”), which aimed to amplify municipal autonomy. Prior to the creation of CRIM, the Department of Treasury of Puerto Rico (“Hacienda”) retained control over property taxes and Central Government transfers. Through Act 80-1991, the administration of the Municipal Property Tax Law was delegated to CRIM, giving the Municipalities control over property tax collections and Central Government transfers, which are vital revenue sources for the funding of municipal operations. Furthermore, pursuant to Act No. 83 of August 30, 1991, as amended (“Act 83-1991”), all powers, faculties, and functions related to tax collections on real and personal property were transferred from Hacienda to CRIM. Both Act 80-1991 and Act 83-1991 were repealed and substituted by Act No. 107 of August 14, 2020, as amended (“Act 107-2020”), known as the Puerto Rico Municipal Code (“Municipal Code”).

CRIM provides fiscal services to the Municipalities and has the responsibility to appraise, assess, notify, collect, and distribute real and personal property taxes. CRIM also collects and allocates the Central Government transfers and any other funds determined by law for the benefit of the Municipalities. In addition, CRIM is responsible for maintaining and updating the registry of real property in each Municipality, which is known as the Digital Cadaster of Puerto Rico (“Digital Cadaster”).

CRIM has a governing board composed of nine (9) mayors, representing the Municipalities, and two (2) members of the Central Government: the executive director of the Fiscal Agency and Financial Advisory Authority (“AAFAF,” for its Spanish acronym) and a public official with experience in municipal affairs appointed by the Governor. A series of rules dictate the composition of the nine (9) mayors assigned to the governing board. Five (5) of the mayors are aligned to the political party that obtained the most votes in the immediately preceding general elections. The mayors elected as members of the governing board serve for a term of four (4) years or until their successor is appointed and takes office. The agency is headed by an executive director, who is appointed by the governing board. Elected officials compose most of the governing board. As a result, frequent changes in CRIM’s leadership, including its executive director, have occurred over the agency’s 30-year history.

CRIM has one (1) central office and nine (9) regional offices, as shown in **Exhibit 1**. The offices are in Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce, and San Juan. In addition to serving the taxpayers and supporting property tax collection, these offices carry out technical functions, such as property appraisals.

## Exhibit 1: CRIM Regional Offices



In addition to the regional offices, and to increase efficiency and improve customer service, CRIM established a call center to provide a faster and more reliable service to taxpayers and facilitate access to certain information and services. With this call center, taxpayers can complete certain transactions, including paying property taxes, without visiting one of the offices in person. As discussed in **Part V: Measures**, CRIM must leverage this call center to improve compliance and enhance property tax collections.

CRIM also delegates services and responsibilities to the Municipalities via collaborative agreements. These collaborative agreements allow CRIM to leverage the knowledge and close relationship that the Municipalities have with their constituents to, among other things, improve property tax compliance. Through these collaborative agreements, the Municipalities can carry out collections of property taxes, appraisals of new properties, verification of real property improvements and personal property filings, investigation of exemptions and exonerations, issuance of map certifications, and foreclosures on behalf of CRIM. Before delegating any of these services, CRIM must review and approve applications completed by Municipalities. CRIM evaluates the working conditions, infrastructure, and knowledge and experience of each Municipality to determine if the applications should be accepted. These responsibilities may be dissolved at the request of the Municipality or by CRIM if, through quality control and audits, irregularities are found. As of FY2021, 73 municipalities have been delegated functions such as appraisals, collections, verifications, and investigations. Furthermore, 55 municipalities can issue map certifications, and 18 municipalities can process foreclosures. CRIM must maintain a robust reporting dashboard to track all the work that Municipalities are doing on behalf of CRIM to ensure that municipal efforts complement the work being done by CRIM. **Part V: Measures** further discusses opportunities for CRIM to leverage the collaborative agreements to improve compliance and enhance property tax collections.

On June 18, 2019, Regulation Number 9094 (“Regulation 9094”) was approved to provide the framework through which Municipalities and CRIM will coordinate the collection of property taxes. The Oversight Board amended its policy on the review of rules, regulations, and orders,

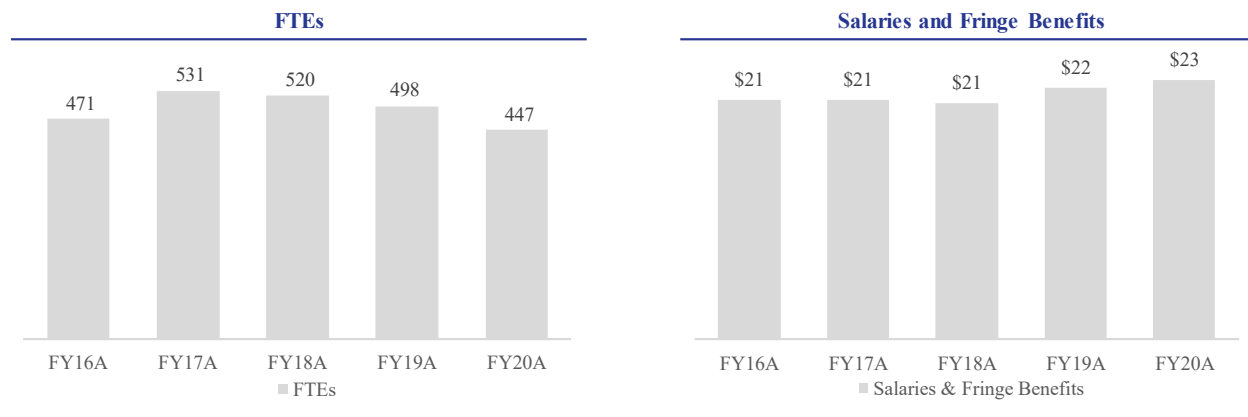
pursuant to Section 204(b)(4) of PROMESA, to increase transparency and to ensure compliance with any applicable fiscal plan, including the certified Commonwealth Fiscal Plan and the certified CRIM Fiscal Plan. As required by the Oversight Board, CRIM will continue to provide applicable proposed regulation amendments to the Oversight Board for review and approval as part of the regulatory amendment process.

## Chapter 2. CRIM Operations

CRIM’s staff primarily facilitate the valuation, billing, and collection of real and personal property taxes, which are then distributed to the Municipalities. As depicted in **Exhibit 2**, CRIM had 447 total full-time employees (“FTEs”) and \$23.1 million in payroll expenses in FY2020.<sup>1</sup> Apart from regular salary expenses, the largest payroll-related expense is PayGo, which is approximately 22% of the total annual payroll expense.

Exhibit 2: CRIM FTEs and Payroll

(Dollars in millions)

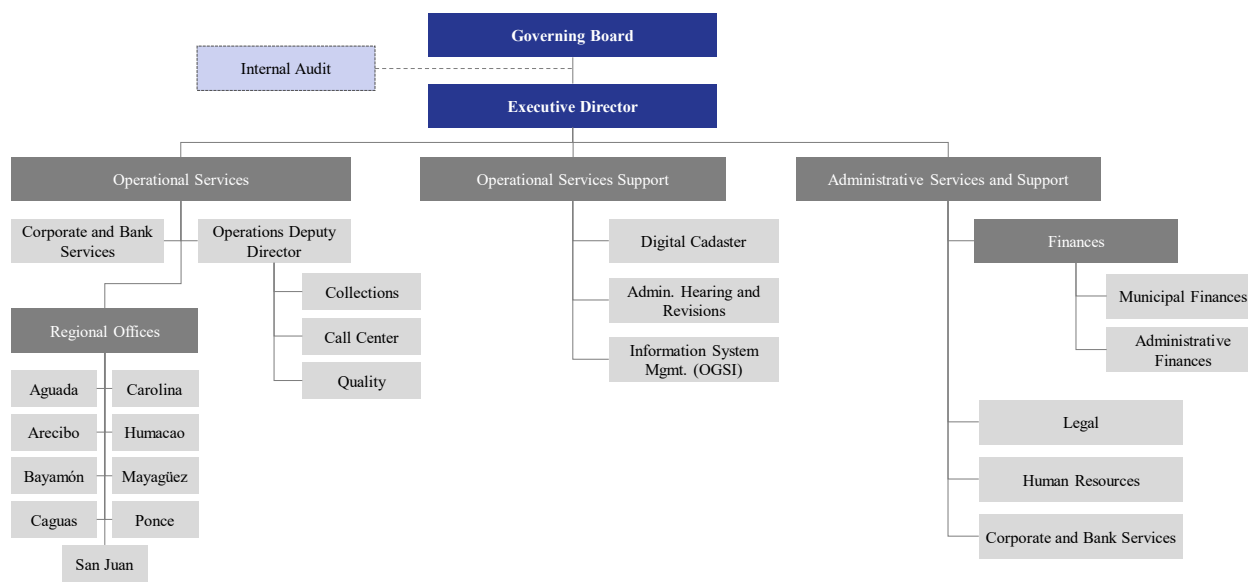


CRIM has been continually restructuring its organization to deliver better services and improve collections. Functions are currently grouped into three main areas, as shown in **Exhibit 3** and detailed below:

- **Operational Services** – delivers direct services to taxpayers, municipalities, financial institutions, and corporations to collect real and personal property taxes. Much of the personnel performing these functions are located throughout the regional offices to provide localized support.
- **Operational Services Support** – maintains systems and applications that support operational services.
- **Administrative Services and Support** – advises the Executive Director and supports operational areas. Administrative units include Municipal and Administrative Finance, Legal, Human Resources, and Administrative Services.

<sup>1</sup> Source: CRIM FY2020 Financial Statements. Includes payments for: (i) vacation liquidations for retired personnel, (ii) vacation liquidations for “at-will” personnel, (iii) differentials, and (iv) reserved positions

### Exhibit 3: CRIM Organization Structure



Within Operational Services, many of CRIM’s employees work in the Regional Offices performing appraisal-type work. In FY2020, CRIM had 118 employees tasked with appraisal-type work, of which 91 were valuation technicians, 18 were research specialists, and 9 were licensed appraisers. These employees were responsible for approximately 1.3 million parcels of property. This equates to 11,234 parcels per employee, which is approximately 2.3 times the national average for large jurisdictions,<sup>2</sup> suggesting this department may be understaffed. This is discussed further in **Part V: Measures**.

As part of Operational Services Support, CRIM’s staff also maintains the Digital Cadaster, which is an inventory of all real properties in Puerto Rico (parcels and structures) used for all purposes: tax, legal, economic, and administrative. CRIM is responsible, by law, to create and preserve the Digital Cadaster, which organizes the valuation data and appraisals of properties and is critical for the imposition of respective taxes. In 2016, CRIM engaged a third-party company to complete a Planimetric Project<sup>3</sup> to digitally map all properties in Puerto Rico, which allowed CRIM to update the Digital Cadaster registry. The project used high-resolution digital imaging to create maps of Puerto Rico. Updated property information was extracted to identify new construction and home improvements, such as newly added swimming pools and property expansions.

Certain other Commonwealth agencies, such as the Department of Justice, maintain comparable databases; however, information sharing has not historically occurred. The data in each database for properties is not always aligned. On June 5, 2020, the Oversight Board submitted a letter to the Government under Section 205(a) of PROMESA, which provides a series of recommendations for improving the framework for land and property registration and establishing and confirming legal ownership. The Oversight Board recommended incorporating both the land and property tax registries to develop a uniform parcel ownership registry and a geographic information system database. CRIM must continue to collaborate with all the relevant government agencies to improve

<sup>2</sup> Calculation based on survey from the International Association of Assessing Officers

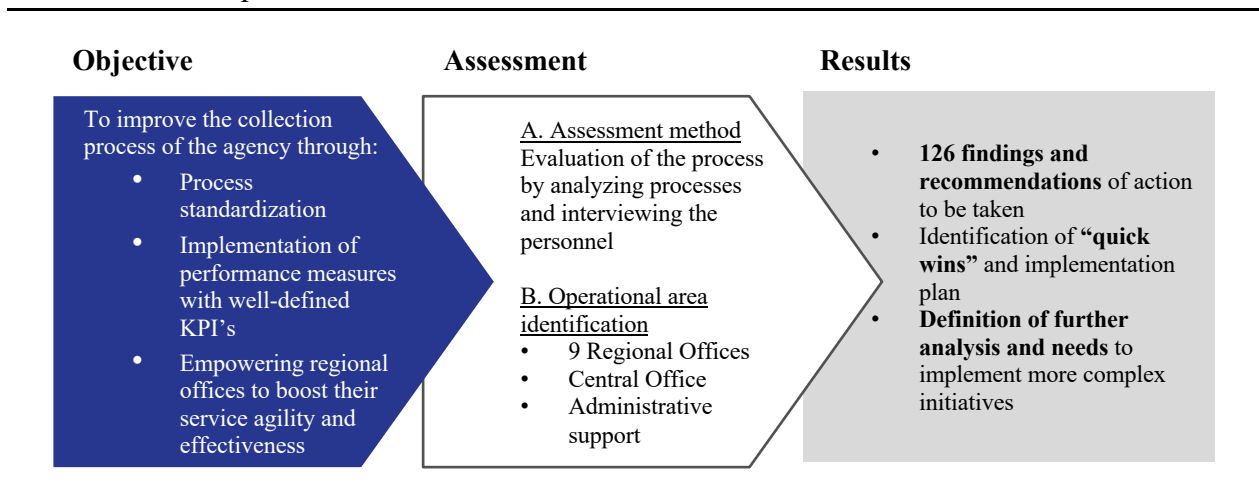
<sup>3</sup> A Planimetric Project involves the creation of maps through the process of recording, measuring, and interpreting photographic images to identify roads, buildings, and other physical objects in an area.

and maximize the Commonwealth’s land parcel systems. The sharing of government-wide data sources will be instrumental for the achievement of certain measures. **Part V: Measures** discusses efforts to extract and align all these data sources.

In addition, CRIM recently began collaborating with Hacienda to share real property information. On June 26, 2020, CRIM signed a memorandum of understanding (“MOU”) with Hacienda to facilitate sharing the information returns relating to the segregation, grouping, or transfer of real property. Under Act No. 75 of July 2, 1987, as amended (“Act 75-1987”), notaries must complete and electronically submit to Hacienda an information return for each property deed they notarize. CRIM and Hacienda must continue to work together to effectively share this information, which will ensure that the cadaster is updated to reflect any changes in real property ownership. The sharing of information will be governed by the terms and conditions of the MOU. Similarly, CRIM must also establish a MOU with Hacienda, as allowed by the Municipal Code, to corroborate the self-assessed value of the personal property reported to CRIM by the taxpayer with what is reported to Hacienda. The sharing of personal property information is discussed further in **Part V: Measures**.

In February 2018, CRIM commissioned an operational assessment to identify potential areas to enhance property tax collections. During June and July 2018, an external company completed the commissioned operational assessment. **Exhibit 4** gives an overview of this assessment. Of the initiatives developed from the assessment findings, some have been completed, while some remain ongoing. These initiatives have been incorporated into the measures of this Fiscal Plan.

Exhibit 4: 2018 Operational Assessment



## Part II. Sources of Funds

CRIM collects funds from revenue sources established by the Municipal Code. The four main revenue sources are real property taxes, personal property taxes, Central Government transfers, and operating revenues. Except for the operating revenues and the 5% administrative fee charged by CRIM on the basic property tax collections, all other revenue sources are pass-through revenue and do not belong to CRIM. An overview can be found in **Exhibit 5**.

Exhibit 5: Overview of Revenues

Source	Details	FY2020 (Actual)	FY2021 (Projected)	
<b>Real Property Tax</b>	<ul style="list-style-type: none"> <li>• Immovable property</li> <li>• Up to 6% basic rate</li> <li>• 1.03% State Redemption Fund Tax</li> <li>• 1.2% - 5.5% Special Additional Tax (“CAE tax”) (varies by Municipality)</li> <li>• (0.2%) discount from state</li> </ul>	<b>\$649 million</b>	<b>\$678 million</b>	
<b>Personal Property Tax</b>	<ul style="list-style-type: none"> <li>• Movable property, including inventory</li> <li>• Up to 4% Basic rate</li> <li>• 1.03% State Redemption Fund Tax</li> <li>• 1.0% - 5.5% CAE tax (varies by Municipality)</li> <li>• (0.2%) discount from state</li> </ul>	<b>\$431 million</b>	<b>\$424 million</b>	
<b>Central Government Transfers</b>	<b>Commonwealth Transfer</b>	<ul style="list-style-type: none"> <li>• The certified Commonwealth Fiscal Plan gradually reduces the Commonwealth transfer until it is fully eliminated in FY2025</li> <li>• In FY2021, this amount was kept at \$132 million to provide further support to Municipalities during the COVID-19 pandemic</li> </ul>	<b>\$132 million</b>	<b>\$132 million</b>
	<b>Electronic Lottery</b>	<ul style="list-style-type: none"> <li>• 35% of the net annual income derived from the operations of the Additional Lottery System (“Electronic Lottery”)</li> </ul>	<b>\$17 million</b>	<b>\$42 million</b>
	<b>Exoneration Fund (eliminated in FY2018)</b>	<ul style="list-style-type: none"> <li>• Exonerated basic and CAE tax reimbursement</li> <li>• 0.20% discount reimbursement</li> </ul>	<b>\$0 million</b>	<b>\$0 million</b>
<b>Operating Revenue</b>	<ul style="list-style-type: none"> <li>• Sales of certifications and maps</li> <li>• Service charges to banks</li> <li>• Interest and other miscellaneous income</li> </ul>	<b>\$2 million</b>	<b>\$2 million</b>	

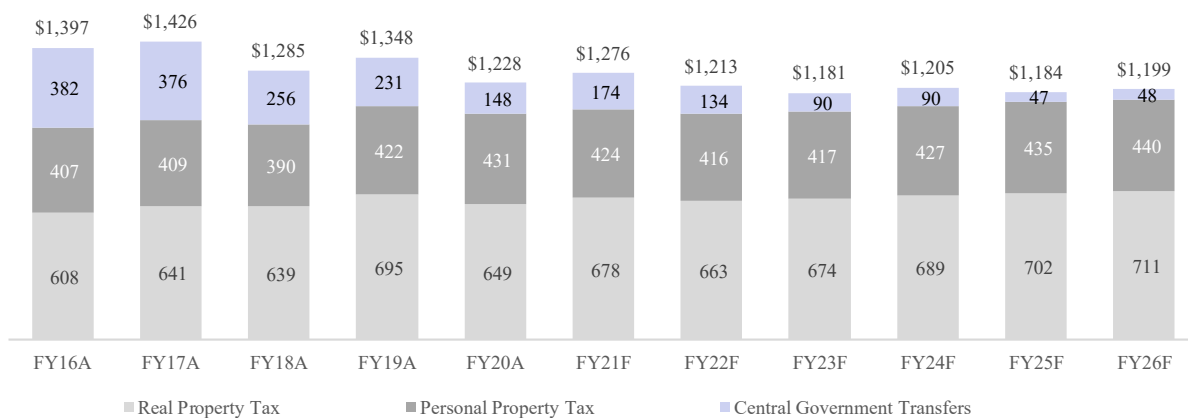


Property tax collections were \$1,080 million in FY2020, approximately 3.3% lower than in FY2019. This decrease was primarily driven by the negative impact that COVID-19 had on property tax collections from March 2020 to June 2020. During the eight (8) months before the Government-mandated shutdown that began March 2020, property tax collections were higher by \$12.8 million compared to the same period in FY2019.

In accordance with the 2020 certified Commonwealth Fiscal Plan, the Commonwealth transfer was maintained at \$131.8 million for FY2021 to provide incremental support to the Municipalities during the COVID-19 pandemic. The Commonwealth transfer will be gradually phased out by FY2025. This will decrease the overall Central Government transfer, with only Electronic Lottery proceeds remaining after FY2025. The gradual step down of the Commonwealth transfer over several years allows the Municipalities to plan accordingly and implement the necessary action plans to address the funding reductions. **Exhibit 6** presents historical and projected baseline property tax collections (excluding measures) and Central Government transfers over time.

**Exhibit 6: Baseline Property Tax Collections and Central Government Transfers**

*(Dollars in millions)*



As part of the measures described herein, CRIM will continue to work with the Municipalities to increase property tax collections, which will provide additional funds for essential services and help offset the Commonwealth transfer phase-out. Municipalities should also identify additional economic development opportunities that will provide new revenue sources and incentivize economic growth. A higher economic growth would drive more investment, which in turn, would improve property taxes in a virtuous cycle. The Municipalities should also develop and implement efficiency improvements and cost reduction plans, which may include shared services, centralization of certain functions, automation implementation, and other actions to ensure that the reduction of funding minimally impacts services provided to the people of Puerto Rico. **Appendix 1** identifies additional temporary support that the Commonwealth will provide to municipalities to incentivize service consolidation.

## Impact of Natural Disasters

Over the last several years, Puerto Rico has experienced various natural disasters, some of which have impacted property tax collections. In FY2018, Hurricanes Maria and Irma inflicted unprecedented damage on the physical infrastructure of Puerto Rico, leaving large segments of the population without power for weeks and, in many cases, months. Thousands died, many of the deaths due not to the direct effects of the storm but rather its aftereffects. There was widespread economic dislocation in the aftermath as the scale of the damage became evident. Impact on the housing stock, power and water infrastructure, and inland transportation infrastructure created extremely challenging conditions for residents. The small business sector was also badly damaged as inventories were destroyed, and the economy suffered an abrupt negative shock. As a result, property tax collections were lower by approximately 2.0% or \$20.9 million (\$19.5 million in personal property taxes and \$1.4 million in real property taxes) in FY2018 compared to FY2017. Nevertheless, 63 municipalities still had higher collections compared to what was estimated by CRIM in FY2018. Also, as shown in **Exhibit 6** above, property tax collections in FY2019 recovered to pre-hurricane levels and were approximately 8.5% higher than FY2018.

The Federal Government has supported post-hurricane reconstruction in the Municipalities primarily through the Federal Emergency Management Agency's ("FEMA") Permanent Work (Categories C-G) Projects and Community Disaster Loans ("CDLs"). Permanent Work Project categories C-G are considered either large or small, based on a Federal Government threshold. The threshold for Hurricane reconstruction is \$123,100. For small projects, funding is based on the cost estimate at the time of project approval, and certification of project completion is required when the project is done. Unlike large projects where the applicant completes the project and is later reimbursed for the project's costs, small projects are paid out upon obligation. Given the liquidity issues facing many of the Municipalities, the Government made the obligation of small projects a priority in the island's recovery. As of March 2, 2021, 4,308 permanent work projects have been obligated to Municipalities, totaling approximately \$1.6 billion, of which roughly \$117.5 million has been disbursed.

In FY2020, beginning on December 28, 2019, the first of many earthquakes struck Puerto Rico, causing significant damage to real and personal properties, mostly located in the west and southwest part of the island. On January 6, 2020, Puerto Rico experienced a 5.8 magnitude earthquake on the Richter scale, followed by a magnitude 6.4 earthquake on January 7, 2020. However, given that many properties, especially residential properties, do not pay taxes due to the high levels of exonerations and exemptions that exist, CRIM did not experience a material impact on FY2020 property tax collections as a result of the earthquakes.

A major disaster declaration was issued on January 16, 2020. As part of this declaration, FEMA designated 33 municipalities as eligible for the Individual Assistance Program including Adjuntas, Aguada, Añasco, Arecibo, Barceloneta, Cabo Rojo, Ciales, Coamo, Corozal, Guanica, Guayanilla, Hormigueros, Jayuya, Juana Diaz, Lajas, Lares, Las Marias, Maricao, Mayaguez, Moca, Morovis, Naranjito, Orocovis, Peñuelas, Ponce, Sabana Grande, Salinas, San German, San Sebastian, Santa Isabel, Utuado, Villalba, and Yauco. Of these 33 municipalities, 14 municipalities were also approved for the Public Assistance Program.<sup>4</sup> As of March 2, 2021, \$2.8 million in federal aid has

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<sup>4</sup> The 14 municipalities approved for the Public Assistance Program include: Adjuntas, Jayuya, Juana Díaz, Lajas, Las Marias, Mayagüez, Sabana Grande, Utuado, Guánica, Guayanilla, Peñuelas, Ponce, San Germán and Yauco

been obligated to eligible municipalities through FEMA’s Individual Assistance or Public Assistance programs. This federal aid, which is available to municipalities and individuals, has accelerated reconstruction efforts in the areas affected by the earthquakes.

In addition, in FY2020, the Oversight Board approved up to \$100 million for the establishment of a State Recovery Fund to fund advances to eligible small projects under the FEMA Public Assistance program, which many municipalities required due to a lack of liquidity. From these funds, in FY2020, the Oversight Board approved the re-apportionment of \$51.4 million to the Department of Housing for demolition and debris removal projects in Guánica, Guayanilla, Peñuelas, Ponce, and Yauco. Four (4) out of the five (5) municipalities, have executed an MOU with the Department of Housing, which is the required first step to access the funds. As of March 2021, \$12.4 million have already been disbursed. These projects are FEMA reimbursable in a 75/25 percent cost share, so it is important to ensure that all documentation and federal reimbursement requirements are submitted to the Central Office for Recovery, Reconstruction and Resiliency (“COR3”). **Exhibit 7** outlines the support provided to the redevelopment of the Southwest region by municipality.

**Exhibit 7: Support for the Redevelopment of the Southwest Region**

*(Dollars in thousands)*

<b>Municipality</b>	<b>Amount Obligated</b>	<b>Amount Disbursed</b>	<b>Amount Pending Disbursement</b>
Guánica	18,631	(5,400)	13,231
Guayanilla	10,450	(5,400)	5,450
Peñuelas	9,000	-	9,000
Ponce	9,350	-	9,350
Yauco	4,000	(2,000)	2,000
<b>Total</b>	<b>\$51,431</b>	<b>(\$12,400)</b>	<b>\$39,031</b>

After the demolition and debris removal is complete, the next step is the development of an integrated and comprehensive plan providing for capital expenditures and investments necessary for the long-term economic reconstruction of the southwest region, focusing on rebuilding with resiliency and taking into account the changes in the economy in a post-COVID world, the patterns of migration from the area, and the potentially-permanent risks to populations from the earthquakes and erosion after the hurricane, among other factors. This plan must be developed in coordination with all relevant agencies, including the Department of Housing, and will be critical in supporting long-term fiscal sustainability for the Municipalities.

Similarly, 18 municipalities impacted by the earthquakes received Commonwealth support of approximately \$14.9 million in FY2020, as outlined in **Exhibit 8**. These funds provided the municipalities with additional revenue so that they could respond to this emergency.

## Exhibit 8: Commonwealth Earthquake Support to Municipalities

(Dollars in thousands)

<b>Municipality</b>	<b>Support Received</b>	<b>Municipality</b>	<b>Support Received</b>
Adjuntas	250	Las Marías	250
Cabo Rojo	250	Maricao	250
Guánica	2,000	Peñuelas	2,000
Guayanilla	2,000	Ponce	2,000
Hormigueros	111	Sabana Grande	250
Jayuya	250	San Germán	250
Juana Díaz	250	Utuado	2,000
Lajas	250	Villalba	250
Lares	250	Yauco	2,000
		<b>Total</b>	<b>\$14,861</b>

Historically, given the high levels of exemptions and exonerations, property taxes have been resilient to natural disasters as many of the taxpayers that are most vulnerable to disasters are not paying property taxes to begin with. For example, as mentioned above, property taxes in FY2018 after Hurricanes Irma and Maria were lower by only approximately 2% compared to FY2017 and recovered by FY2019. Although natural disasters could impact the timing of property tax collection, CRIM does not foresee any long-term material deterioration in property tax receipts resulting from natural disasters.

### Impact of COVID-19 Pandemic

The COVID-19 pandemic is an unprecedented public health crisis, which has significantly impacted the economy. Most businesses had to abruptly shut down in the Spring of 2020, and unemployment skyrocketed. On March 12, 2020, Governor Vázquez declared a state of emergency across the island due to the COVID-19 global pandemic. Furthermore, on March 15, 2020, the Governor signed an executive order (EO 2020-023), which established the closure of all private and government operations, except for those related to essential services. This order was extended through multiple executive orders until June 15, 2020, as a result of the signature of a new executive order (EO 2020-44). Executive Order 2020-44 eased the COVID-19 lockdown restrictions, reduced the curfew hours, allowed some businesses to operate at 50% capacity, and authorized the opening of most businesses and activities (except nightclubs, game rooms, and casinos). However, to prevent resurgent outbreaks and viral spread, some of these partial reopenings were quickly reversed, and partial lockdown measures have remained in place since then. CRIM's central and regional offices remained closed during the lockdown period and are currently opened with limited personnel.

Fortunately, the combined economic impact of the federal and local fiscal stimulus and the gradual reopening of the local economy have mitigated a lot of the negative shock that was initially projected. As a result, in FY2021, many sectors of the economy have performed better than anticipated, including property tax collections. The certified 2020 CRIM Fiscal Plan projected total property tax collections to be approximately \$1,056 million in FY2021. However, as shown in

**Exhibit 6** above, total property tax collections for FY2021 are now projected to be approximately \$1,102 million, which is 4.4% higher than initially projected.

Nevertheless, compared to FY2019, total property tax collections in FY2020 were lower by 3.3% or \$37.4 million, driven by a decline in real property tax collection. Similarly, total property tax collections in FY2021 are projected to be lower by 1.4% or \$15.2 million compared to FY2019. This indicates that even though collections for FY2021 are performing better than anticipated, the COVID-19 pandemic impacted property taxes in FY2020 and FY2021 compared to prior years. Much of this impact is expected to be temporary, and this Fiscal Plan projects a recovery in property tax collections over the forecasted period.

Similarly, as a result of the COVID-19 pandemic and the economic lockdown, the electronic lottery proceeds, which are distributed to the Municipalities as part of the Equalization Fund, a special fund established to ensure that all Municipalities receive at least the same amount of revenues as they received on the prior year, were also negatively impacted. Initially, electronic lottery proceeds were projected to be approximately \$47.3 million for FY2020. However, due to higher winnings in the first half of FY2020 and the impact of the pandemic during the second half of the year, Hacienda revised the lottery estimates to \$27.7 million. Hacienda communicated this revised estimate to CRIM on April 1, 2020. This estimate assumed that the lockdown would be lifted in mid-April 2020. However, due to the extension of the lockdown and partial reopening of the economy, the electronic lottery proceeds for FY2020 came in at \$16.7 million, which is \$30.6 million less than initially projected.

The remittances from July 2019 to April 2020 still reflected the initial estimate of \$47.4 million. However, CRIM adjusted the remittances for May 2020 and June 2020 to incorporate the lower estimate of \$27.7 million. CRIM reconciled any over-advancement to the Municipalities resulting from the lower electronic lottery proceeds of \$16.7 million as part of the year-end reconciliation process. This reduction in lottery proceeds was a key factor in the FY2020 year-end liquidation, negatively impacting 15 municipalities, which were over-advanced by CRIM and now must repay CRIM for the excess funds received during FY2022.

Any budgetary shortfalls or financial impact that the Municipalities suffered due to the COVID-19 pandemic was significantly offset by the local and federal aid received during FY2020 and FY2021. For example, as part of the COVID-19 Emergency Measures Support Package, Municipalities received approximately \$100 million from the Commonwealth in FY2020. Municipalities were distributed \$50 million per month for two months based on a 3-tier division of population by municipality. Municipalities with a population of fewer than 25,000 people received \$1 million in total, those with a population greater than 25,000, but less than 50,000 received \$1.35 million, and those with a population greater than 50,000 received \$1.75 million. In addition, \$200 million was originally made available to the Municipalities from the \$2,241 million appropriated to Puerto Rico under the Coronavirus Aid, Relief and Economic Relief Act (the "CARES Act"). These funds were used to reimburse costs related to COVID-19, which had not been previously budgeted for by the Municipalities. Municipalities were responsible for tracking, reporting, and submitting these incremental expenses to AAFAF for reimbursement. On February 17, 2021, Governor Pierluisi announced that the Government would make available an additional \$100 million from the CARES Act for the Municipalities, for a total of \$300 million. Each of the 78 municipalities was to receive \$1 million, with the remaining \$22 million being available to

reimburse additional COVID-19 related expenses as submitted by the Municipalities and approved by AAFAF.

In addition, on March 11, 2021, the Federal Government passed the American Rescue Plan Act of 2021 (“ARP Act”). This \$1.9 trillion economic stimulus bill included, among other things, \$350 billion of direct support to state, municipal, and county governments. From the \$350 billion in direct support to local governments, the Municipalities will receive close to \$950 million. The ARP Act expands the allowable uses for these funds, which can now be used to cover certain costs incurred through December 31, 2024, including:

- Respond to the COVID-19 crisis and its negative economic impacts, including providing aid to households, small businesses, and nonprofits or aid to impacted industries
- Respond to workers performing essential work during the public health crisis by providing premium pay to eligible workers or grants to eligible employers
- Fund government services that have been curtailed as a result of the decrease in tax revenue caused by the pandemic
- Make investments in water, sewer, or broadband infrastructure

States and local governments are prohibited from using the money to fund pensions or to offset tax cuts enacted after March 2021.

The allocation of the funds is based on a population-based formula and designation by the Federal Government. Twenty-seven (27) municipalities were designated as “Metro Cities,” as defined by the Housing and Community Development Act of 1974. The remaining 51 municipalities were designated as “Other Non-Counties.” For the Metro Cities, funding will be disbursed directly from the U.S. Treasury, and for “Other Non-Counties,” the money will go to the Commonwealth for distribution. The funding will be made available in two tranches: 1) in FY2021 within 60 days of the enactment of the Act and 2) in FY2022 no earlier than one (1) year after the first disbursement.

Municipalities must work closely with the Government and all relevant federal and local agencies to maximize the funds available to achieve long-term fiscal sustainability. Municipalities must maintain detailed accounts of the uses of funds and submit all reporting required by the Federal Government. **Appendix 2** outlines the distribution and allocation of the COVID-19 related aid received by the Municipalities.

## Year-end Liquidation

CRIM completes a year-end reconciliation process after the end of each fiscal year to reconcile property tax advances to the Municipalities, which are based on projections, with actual tax collections. To the extent a municipality has higher collections than what has been advanced, CRIM transfers the excess amount to the corresponding municipality. On the other hand, if collections are lower than what has been advanced, municipalities would have an account payable to CRIM repayable from property tax advances from the subsequent fiscal year. Per the Municipal Code, the year-end liquidation must be completed before December 31<sup>st</sup>, within six (6) months of the end of the fiscal year.

The advances to Municipalities for FY2022 do not include the projected incremental tax collection from the implementation of measures. Any incremental revenue will be distributed to the Municipalities as part of the year-end liquidation. However, to the extent that the milestones in this fiscal plan are achieved early, and collections are coming in higher than anticipated, CRIM may consider a mid-year liquidation at the beginning of the third quarter of FY2022. Before this mid-year liquidation, CRIM must analyze the property tax collections for the first half of the year to identify which municipalities have collected more than originally projected. For those municipalities that have a variance greater than 10%, CRIM may remit up to 80% of the incremental year-to-date collections as part of the mid-year liquidation. The mid-year liquidation analysis must be reviewed and approved by the Oversight Board before remitting the funds.

### Short-term Liquidity Facility

In response to COVID-19, CRIM's governing board approved an extension of the personal property tax return filing date from May 15, 2020, to August 7, 2020. Similarly, the date for the payment of the first quarterly installment of personal property taxes for FY2021 was extended from August 15, 2020, to September 15, 2020. These extensions created a short-term liquidity challenge for CRIM for the remainder of FY2020 (May and June) and the first month of FY2021 (July). On May 13, 2020, the Oversight Board proposed establishing a short-term delayed-draw liquidity facility of up to \$185 million, so CRIM could continue advancing monthly tax remittances to the Municipalities. By a letter to the Oversight Board dated May 29, 2020, CRIM indicated it could not accept the terms of the facility as proposed and would be analyzing adjustments to remittances to the Municipalities for May and June. After further discussions, CRIM and the Oversight Board agreed to lower the proposed liquidity facility to \$148 million.

The repayment of the proposed loan would be collateralized by CRIM's basic property tax revenues in the first half of FY2021. Under the proposal, the liquidity facility would be repaid in full on or before January 31, 2021. If the amount was not paid in full by this date, any outstanding debt would be offset from the Commonwealth transfer.

In a letter dated August 5, 2020, CRIM informed the Oversight Board that it would not proceed with the short-term liquidity facility due to the added risks and burdens of a default on an outstanding line of credit. CRIM advanced the adjusted monthly tax remittances to municipalities for May and June in August 2020 after collecting the delayed FY2020 personal property taxes.



## Chapter 3. Real Property

### 3.1. Values and Exemptions

In Puerto Rico, real (immovable) property consists of land, buildings, and any property adhered to the ground that cannot be moved. CRIM maintains the Digital Cadaster that, as of FY2020, had approximately 1.3 million real properties with a total value of approximately \$19.4 billion and a net taxable value of \$8.1 billion. Approximately 58% of the total real property value, or \$11.3 billion, is either exonerated or exempted from paying property taxes. Data from the Planimetric Project indicated that CRIM’s tax rolls might have been missing approximately 239,525 properties; taxation of these properties, projected to improve revenue by up to \$107.4 million a year, is discussed further in **Part V: Measures**.

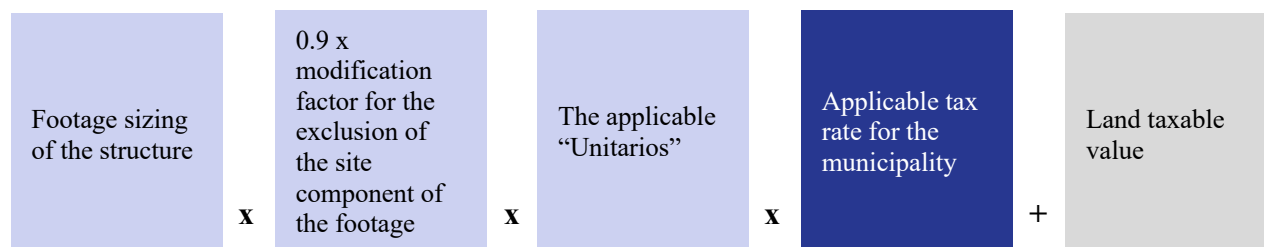
**Exhibit 9** provides a breakdown of the 1.3 million parcels on CRIM’s tax rolls in FY2018 by land use and further depicts the implied exemption rates by category as identified in a report published by the U.S. Treasury.<sup>5</sup> **Appendix 3** presents this same information by detailed land use category.

Exhibit 9: Real Property Tax Exemptions by Land Use Categories (FY2018)<sup>6</sup>

Land Use Category	Total Properties	% of Total Properties	% of Total Value	% of Value Exempted	Average Exemption Rate
Residential	1,065,375	81.4%	59.4%	64.4%	94.0%
Commercial	38,689	3.0%	15.2%	15.8%	77.7%
Industrial	3,098	0.2%	17.2%	77.7%	88.6%
Vacant	190,527	14.6%	5.0%	49.8%	97.1%
Other	10,364	0.8%	3.2%	N/A	N/A
<b>Total</b>	<b>1,308,053</b>	<b>100.0%</b>	<b>100.0%</b>		

Real property valuations for tax assessments are based on the property’s replacement cost value as if it were constructed in 1957, which was the last time a valuation assessment was performed on the real property in Puerto Rico. Structures built after 1957 are assessed for tax purposes as if they were built in 1957. This adjustment is made through construction estimates per square foot of a similar property built in 1957. This basic unit valuation is known as “Unitarios.” The “Unitarios” were established for 150 sub-classes of different structures and became the basic unit value to assess all real property and are still used by CRIM.

A typical real property tax assessment imposition is computed as shown:



<sup>5</sup> Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

<sup>6</sup> Latest data available is for FY2018



Land is valued by January 1<sup>st</sup> of each year based on land area, land characteristics, and prices that existed in 1957. The value calculation is agnostic to the property location. According to the World Bank, area-based assessments are often used when the absence of developed property markets makes it difficult to determine market value, such as in Eastern Europe during the transition from the Soviet Union.

Most of the U.S. states value land and structures separately. However, no states use an area-based system for valuing land (with some exceptions for agricultural properties).<sup>7</sup> In the mainland U.S., residential properties are commonly valued using a comparable sales approach, whereby recent sales of similar properties determine the taxable value of residential properties. In the case of industrial properties, most U.S. states use the cost or replacement value approach. The income approach (based on net annual income generated by the property) is mostly used for commercial property valuation.

Puerto Rico also differs from other U.S. jurisdictions in that it offers considerably more tax breaks both in terms of number and notional value. These tax exemptions and exonerations reduce the taxable base and hurt the Municipalities, which rely on property taxes to fund essential services. Exemptions are granted by a State Law or Municipal Ordinance, while exonerations are granted under the Municipal Code. On August 26, 2020, the Oversight Board issued a letter to the Government, under Section 205(a) of PROMESA, providing broad recommendations on how the Government can overhaul the property tax system and broaden the taxable base to improve its efficiency, effectiveness, and, ultimately, collections. One recommendation was to reduce existing exemptions and exonerations to establish a comprehensive taxable base and an equal treatment of taxpayers. Some of these recommendations are now adopted in this Fiscal Plan, and their implementation is required, as further discussed in **Part V: Measures**. Similarly, to ensure that the real property taxable base is not further reduced, all new exemptions or exonerations must be revenue neutral and must be approved by the Oversight Board before implementation.

Per Article 7.035 of the Municipal Code, residential property taxpayers are granted a tax exemption on real property for the first \$15,000 of the 1957 assessed value on one residence (this represents more than \$215,000 in current assessed value). By comparison, only 23 U.S. states (including the District of Columbia) provide a broad-based homestead exemption, and an additional 22 states provide homestead exemptions for specific categories of homeowners.<sup>8</sup> **Exhibit 10** provides an overview of U.S. homestead exemptions, and **Appendix 4** provides a detailed breakdown by state.

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<sup>7</sup> Some states use a graded (banded system) for agricultural properties, assessing these lands based on assumed relative differences in productivity in their current use (rather than their best market use).

<sup>8</sup> Source: Lincoln Institute of Land Policy

Exhibit 10: Real Property Tax Exemptions by Type

Type	Number of states	Puerto Rico Exemptions
<b>General</b>	<b>23</b>	✓
<b>Senior</b>	<b>18</b>	✓
<b>Disability-related</b>	<b>21</b>	✓
<i>Disabled</i>	17	✓
<i>Blind</i>	10	
<i>Deaf</i>	1	
<b>Military service related</b>	<b>36</b>	✓
<i>Veteran</i>	14	✓
<i>Veteran widow</i>	8	✓
<i>Disabled veteran</i>	26	✓
<i>Active-duty Military</i>	4	
<b>Other</b>	<b>14</b>	✓
<b>None</b>	<b>5</b>	

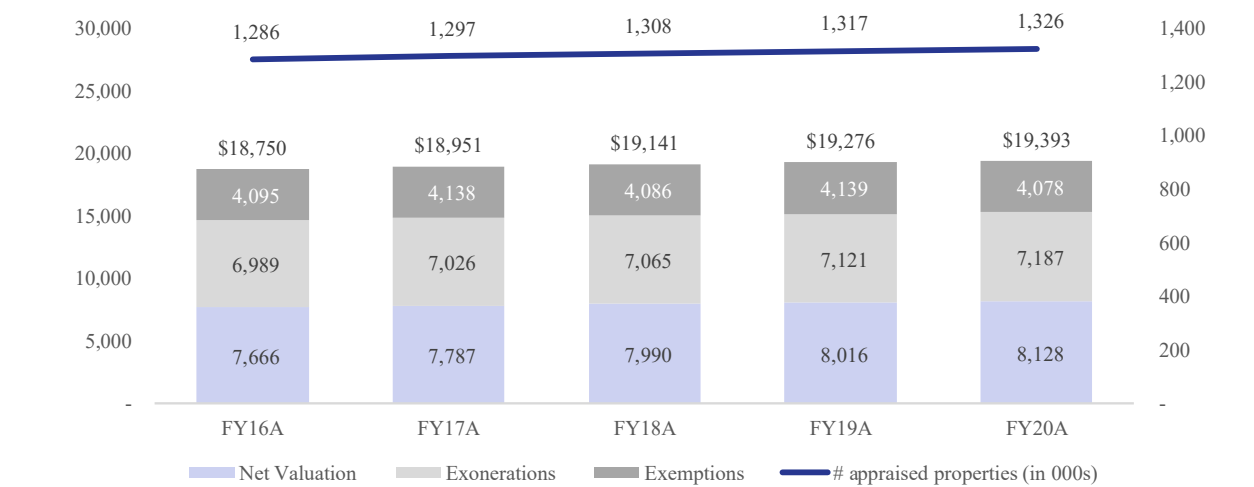
Note: Disability-related and military service-related exemptions do not equal the sum of their respective subcategories because of overlap.

Additionally, under Puerto Rico law, special tax exemptions may be granted to veterans, agricultural properties, cooperatives, non-profit entities, hospitals, government properties, properties within historic areas/free trade zones, properties leased to elders, and on an ad hoc basis. To be granted these additional exemptions, taxpayers must file an application and meet each category’s established requirements.

As shown in **Exhibit 11**, the number of appraised properties, total real property values, as well as tax breaks have remained relatively flat over the last five years (less than 1.0% annual growth). However, given the methods used to value real property, this pattern does not reflect the real change in the property’s economic value over the period. Net taxable values have remained steady at approximately 40% of the total appraised value because of significant exemptions and exonerations. See **Appendix 5** for detailed figures by municipality.

Exhibit 11: Real Property Tax Exemptions, Exonerations, and Net Valuations

(Dollars in millions)



Total tax exonerations and exemptions equated to \$7.2 billion and \$4.1 billion, respectively, of real property value in FY2020, which is primarily the result of exonerations on residential properties. Similarly, economic incentive laws accounted for an approximately \$298 million reduction of real property taxes in FY2020, primarily driven by industrial companies and pharmaceutical companies. **Exhibit 12** presents these tax abatements by industry, and **Appendix 6** summarizes some of these economic incentive laws, as presented in CRIM’s annual financials.

Exhibit 12: Real Property Tax Abatement in FY2020<sup>9</sup>

(Dollars in thousands)

Industry / Business	Real Property Tax Abatement	% of Total Abatement
Buildings used for warehouses	\$52,083	17.5%
Pharmaceutical companies	79,070	26.5%
Hotels and related businesses	17,945	6.0%
Industrial companies and businesses	102,067	34.3%
Other industries and businesses	46,723	15.7%
<b>Total</b>	<b>\$297,888</b>	<b>100.0%</b>

### 3.2. Real Property Tax Rates

There are four components to the real property tax rate applied to the net taxable values discussed above. They are:

- (1) The Basic Municipal Contribution tax rate for real property is up to 6.00%.
- (2) The State Redemption Fund Tax adds 1.03%.
- (3) CAE tax rates vary by Municipality, ranging from 1.20% to 5.50%.
- (4) Act No. 16 of May 31, 1960 (“Act 16-1960”) authorizes Hacienda to grant a discount of 0.20% on the basic tax rate.

For example, the calculation for the real property tax rate in San Juan for FY2022, which has a CAE tax rate of 3.50%, is as follows:

<div style="border: 1px solid black; background-color: #d9e1f2; padding: 5px; width: 100%;"> <u>Basic Tax</u> 6.00%         </div>	+	<div style="border: 1px solid black; background-color: #d9e1f2; padding: 5px; width: 100%;"> <u>State Redemption Fund Tax</u> 1.03%         </div>	+	<div style="border: 1px solid black; background-color: #d9e1f2; padding: 5px; width: 100%;"> <u>CAE Tax</u> 3.50%         </div>	-	<div style="border: 1px solid black; background-color: #e0e0e0; padding: 5px; width: 100%;"> <u>Discount</u> 0.20%         </div>	=	<div style="border: 1px solid black; background-color: #003366; color: white; padding: 5px; width: 100%;"> <u>Total Tax</u> 10.33%         </div>
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<sup>9</sup> Source: CRIM FY2020 Financial Statements

In total, as shown in **Exhibit 13**, the combined real property tax rates for FY2022 range from 8.03% to 12.33% of net taxable value for all Municipalities. See **Appendix 7** for detailed calculations by municipality.

**Exhibit 13: Real Property Statutory Rates for FY2022 (Post-discount)**

<u>Rate Range</u>	<u>Number of Municipalities</u>
8.00% - 8.99%	11
9.00% - 9.99%	19
10.00% - 10.99%	38
11.00% - 11.99%	7
12.00% - 12.99%	3

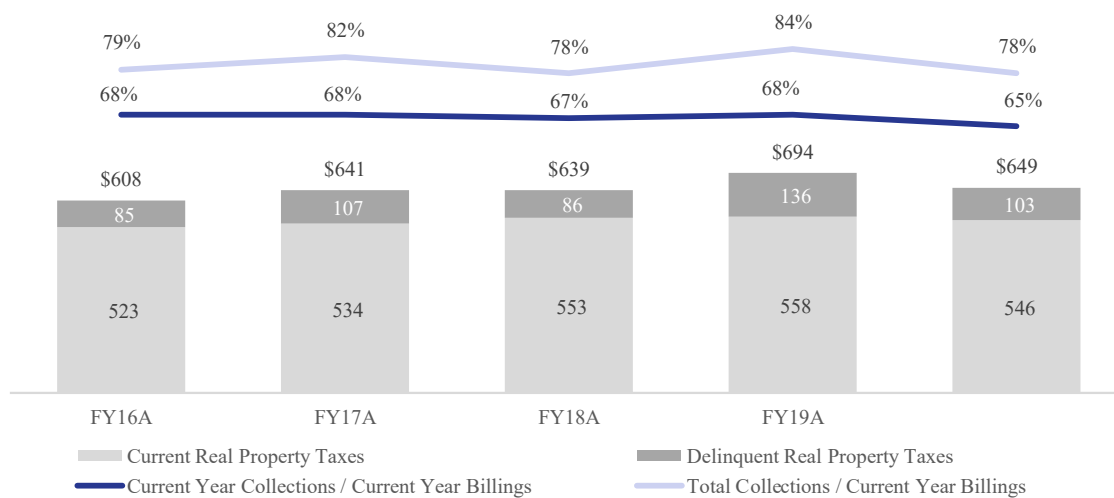
### 3.3. Collection Rates

Current year real property tax collections have remained relatively flat over the last five years, with a decline in FY2018 as the result of Hurricanes Irma and Maria, and in FY2020 as a result of the COVID-19 pandemic.

Tax payments are due on July 1 and January 1, with a 90-day grace period. There is a discount matrix for real property tax payments within the 90-day grace period.<sup>10</sup> Collections fall into two categories, current and delinquent, depending on the collection year, as shown in **Exhibit 14**.

**Exhibit 14: Historical Real Property Total Tax Collections**

*(Dollars in millions)*



Current year collections have averaged approximately 68% in recent years. However, in FY2020, the current-year collection rate reduced to approximately 65%, indicating that there were more

<sup>10</sup> Up to 30 days: -10%, 31 to 60 days: -5% and 60 to 90 days: no discount is granted, 90 days < implies fees, charges and interests. This matrix applies for the two payments datelines of the tax year.

delinquencies, potentially as a result of the COVID-19 pandemic. Historically, current year collection rates are well below comparable U.S. jurisdictions. For example, in FY2019, the current year collection rates for the City of Detroit, MI, was approximately 82%; Cleveland, OH, was approximately 90%; St Louis, MO, was approximately 93%; and Philadelphia, PA, was approximately 91%. Low collection rates are likely caused by outdated technology (i.e., siloed systems) and lack of enforcement (i.e., inefficient procedures and limited annual foreclosures).

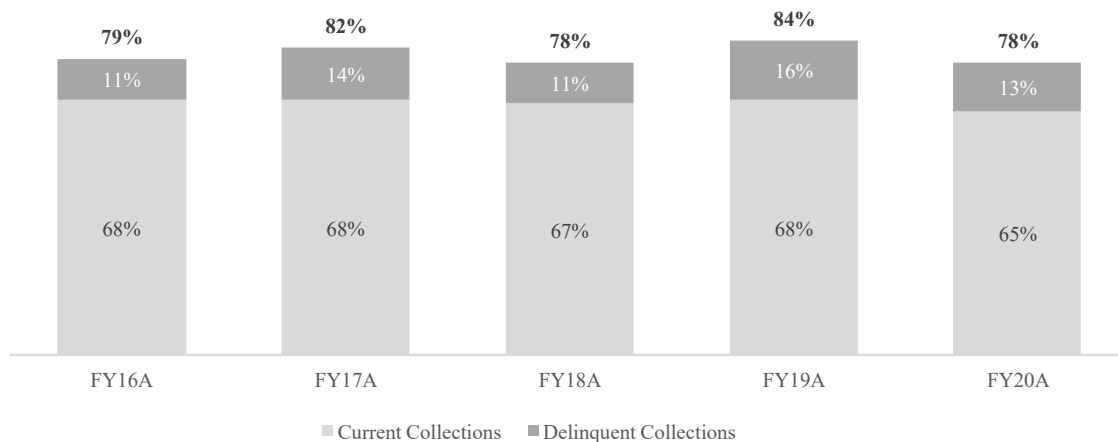
Under Article 7.059 of the Municipal Code, a tax obligation is considered delinquent if it has not been paid within ninety (90) days since the property tax payment became due. CRIM must follow up with all delinquent taxpayers and must make all efforts permissible by law to enforce compliance, including embargoing delinquent properties. Commonly, CRIM will execute the embargo process on a delinquent property if it is referred by a municipality or agency. However, CRIM must also track all delinquent properties and enforce the embargo process, even if not referred by a municipality or agency.

CRIM starts the embargo process by drafting a written embargo notification listing the taxpayer’s total debt, interests, and any penalty fees for the corresponding property. This notification is sent to the debtor following the Puerto Rico Rules of Civil Procedure with a warning that if the tax obligation is not paid within 30 calendar days after receiving the notification, the delinquent property will be sold in a public auction. The proceeds of the sale will be used to repay any outstanding debt. CRIM also has the authority to embargo the delinquent taxpayer’s bank accounts to collect any outstanding debt.

Due to the COVID-19 pandemic, embargoes and public auctions have been discontinued. Currently, CRIM is only sending collection letters to delinquent taxpayers and waiting for approval to restart the embargo process. CRIM must resume these actions once the moratorium on embargoes and public auctions is lifted. CRIM has indicated that for FY2022, it renewed the contract with the company that has historically supported the agency with public auctions to restart the process in a virtual manner.

**Exhibit 15** depicts the historical collection rates as a percentage of current year billings, and **Appendix 8** identifies the current year collection rates by municipality. **Part V: Measures** further discusses opportunities for Puerto Rico to improve its subpar collection rates.

Exhibit 15: Historical Real Property Tax Billings and Collection Rates



Municipalities vary greatly in their collection rates. While nearly all municipalities have a current year collection rate below comparable U.S. jurisdictions, significant variances exist within Puerto Rico. As **Exhibit 16** below shows, in FY2020, Municipal current year collection rates for real property range from 78.0% for Guaynabo to only 39.2% for Guanica.

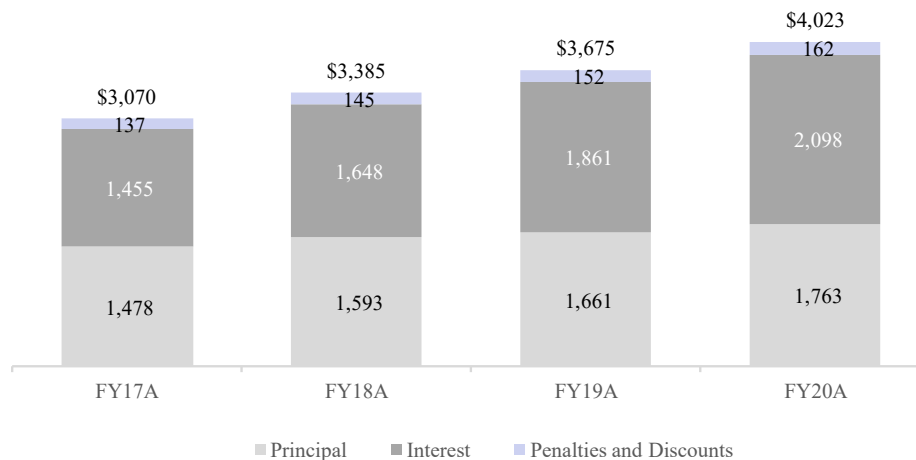
**Exhibit 16: Highest and Lowest Current Year Collection Rates by Municipalities (FY2020)**

<u>10 Highest Collections Rates</u>		<u>10 Lowest Collections Rates</u>	
Guaynabo	78.0%	Patillas	49.5%
Cataño	76.6%	Guayanilla	49.3%
San Juan	71.1%	Las Maria	49.3%
Cayey	71.0%	Yabucoa	48.1%
Peñuelas	70.5%	Ciales	47.0%
Humacao	70.3%	Salinas	45.7%
Carolina	70.2%	Jayuya	45.3%
Gurabo	70.1%	Maricao	43.7%
Dorado	69.9%	Las Piedras	43.0%
Hormigueros	69.7%	Guanica	39.2%

**Exhibit 17** below suggests that low real property collection rates have generated large gross accounts receivable (“A/R”) balance amounting to \$1.8 billion in principal and \$2.3 billion in interest and penalties (net of discounts) at the end of FY2020. After analyzing the aged receivables, CRIM determined to establish an allowance for uncollectable accounts of 82%. After applying the reserve against the gross A/R balance, the net figure falls to approximately \$720 million in FY2020. In FY2019, the gross A/R balance was \$3.7 billion, and the net balance was approximately \$660 million. As required by this Fiscal Plan, and as further described in **Part V: Measures**, CRIM must sell the A/R portfolio by the end of FY2022.

**Exhibit 17: Historical Real Property Tax Accounts Receivable Balance**

*(Dollars in millions)*

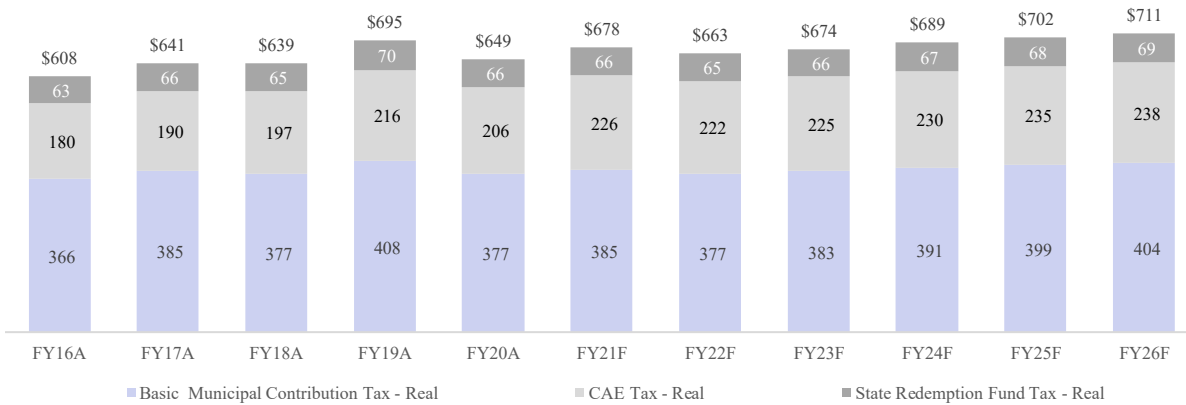


### 3.4. Real Property Tax Revenues Over Time

**Exhibit 18** presents historical and projected baseline revenues broken into three categories corresponding to the types of tax rates: Basic Municipal Contribution, CAE, and State Redemption Fund.

**Exhibit 18: Historical and Projected Baseline Real Property Tax Revenues**

*(Dollars in millions)*



## Chapter 4. Personal Property

### 4.1. Values and Exemptions

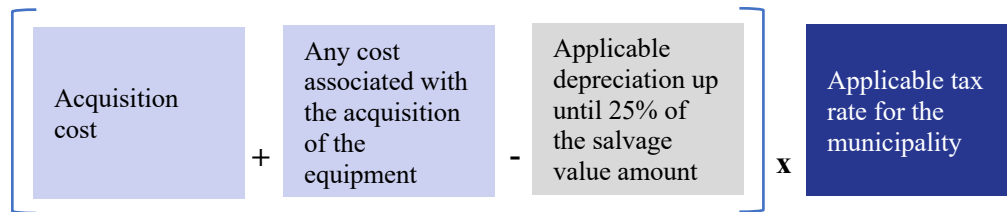
The personal (moveable) property consists of tangible and intangible property in industrial or business applications that can be moved from one place to another, including inventory, machinery and equipment, and other moveable assets.

In FY2020, personal property filings totaled 91,950, with a total valuation of approximately \$12.2 billion and a net taxable value of \$5.3 billion. Approximately 57% of the total personal property value, or \$6.9 billion, is either exonerated or exempted from paying property taxes. Unlike real property tax revenues, CRIM does not rely on a registry for personal property taxes. Personal property is self-assessed by taxpayers annually, making compliance the key area of focus for improved revenues; this opportunity is discussed further in **Part V: Measures**.

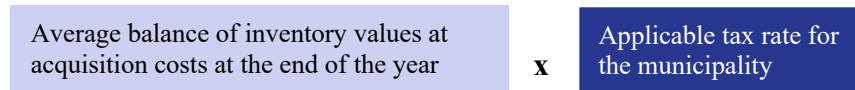
Inventory taxable value, excluding finished goods, is based on the lesser of book value or fair market value on January 1<sup>st</sup> of each year. On the other hand, finished goods inventory taxable value is assessed on the monthly average balance for the year preceding January 1<sup>st</sup>. These amounts are calculated by individual taxpayers and reported on their tax return filings on May 15<sup>th</sup>.

A typical personal property tax assessment imposition is computed as shown:

- For equipment:



- For inventories (excluding finished goods):



The cost approach is in line with the approach of most other U.S. jurisdictions. As a result, the valuation of personal property is much closer to the current market value than real property. This fundamental mismatch between the valuation methods used in personal property and real property may cause tax burden inequities among taxpayers in Puerto Rico. Presently business machinery and equipment are valued at acquisition cost (minus depreciation) with a residual value not less than 10% – 20% of its purchase price (depending on property class).

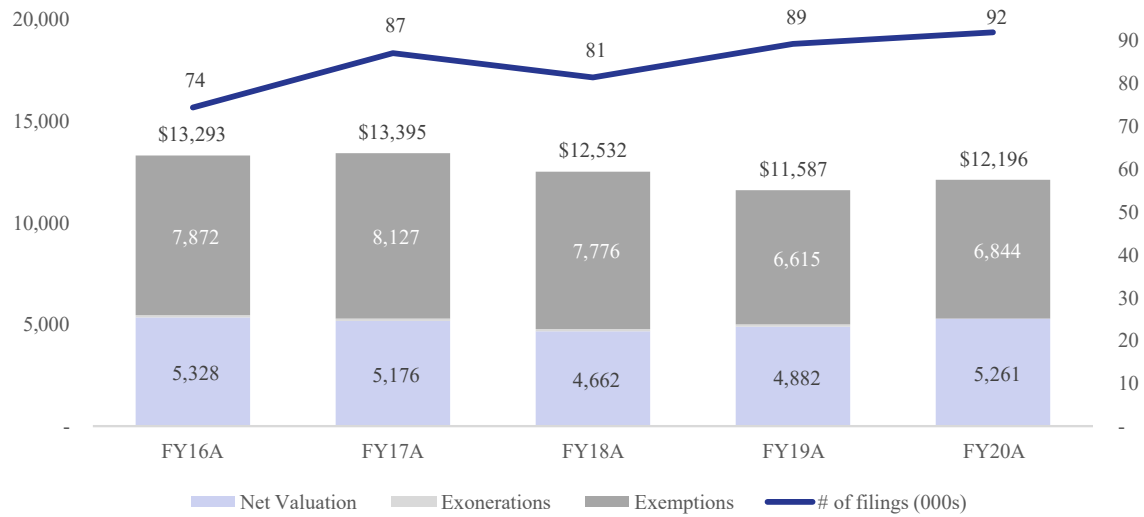
A significant portion of the personal property tax is made up of the tax on businesses’ inventories. In FY2019, inventory represented approximately 55% of the total billable personal property taxes. For Cataño, Hatillo, and Bayamon, inventory represented 82%, 71%, and 68% of the total billable personal property taxes, respectively, the highest for any municipality. There has been significant pressure from local business groups to repeal this tax as it incentivizes companies to maintain as little inventory on hand as possible. This practice has contributed to increased levels of recurring stockouts in Puerto Rico compared with U.S. levels, including severe supply shortages following Hurricanes Irma and Maria. Any efforts by the Government to eliminate the inventory tax must be revenue-neutral to both the Commonwealth and the Municipalities.

As shown in **Exhibit 19**, the number of filings in FY2020 increased to 91,950 total filings, and the net taxable value of the personal property increased to \$5.3 billion. In FY2020, \$6.8 billion of the total personal property taxable value (roughly 57% of the total) was exempted or exonerated from paying taxes. CRIM must work closely with the Government to reduce existing exemptions and exonerations to establish a comprehensive taxable base and strengthen municipal finances, as further discussed in **Part V: Measures**. Similarly, to ensure that the personal property taxable base is not further reduced, all new exemptions or exonerations must be revenue neutral and must be approved by the Oversight Board before implementation. **Appendix 9** presents detailed valuation and exemption figures by Municipality.



## Exhibit 19: Personal Property Tax Exemptions, Exonerations, and Net Valuations

(Dollars in millions)



In May 2018, CRIM performed a study of tax returns and identified 3,887 different exemptions, of which 3,751 (97%) were granted by the Central Government. Approximately 63% of the total exemptions were granted under i) Act 225-1995 (for agriculture), ii) Economic Incentives Act of 2008, iii) Economic Incentives Act of 1997, and iv) Act 83-1991 (for non-profit organizations). Many of these acts were repealed and substituted by Act No. 60 of July 1, 2019, as amended (“Act 60-2019”), known as the Puerto Rico Incentives Code. **Appendix 10** details the findings of the study conducted by CRIM. Additionally, certain exonerations are available to qualifying smaller businesses. A recently published report by the U.S. Treasury<sup>11</sup> found that “two-thirds of firms required to complete the filing process reported total personal property value for their firm at less than \$5,000. At the other extreme, 50 percent of the revenue billed came from just 178 companies, and 80 percent came from fewer than 1,000 companies.”

CRIM also reports total personal property tax abatements of approximately \$443.9 million in FY2020, primarily driven by industrial companies, as identified in **Exhibit 20**. Some of these economic incentive laws are summarized in **Appendix 6**.

## Exhibit 20: Personal Property Tax Abatement in FY2020<sup>12</sup>

(Dollars in thousands)

Industry / Business	Personal Property Tax Abatement	% of Total Abatement
Pharmaceutical companies	\$56,616	12.7%
Industrial companies and businesses	172,081	38.8%
Professional services	72,428	16.3%
Commercial companies and businesses	21,519	4.9%
Other industries and businesses	121,239	27.3%
<b>Total</b>	<b>\$443,883</b>	<b>100.0%</b>

<sup>11</sup> Source: Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

<sup>12</sup> Source: CRIM FY2020 Financial Statements

Puerto Rico’s personal property tax collections as a percentage of total property tax collections (approximately 40%) are a substantially larger portion than in the 50 states and the District of Columbia. For example, personal property composed only 3.3% of the county taxable property base in Maryland.<sup>13</sup> This disparity partially results from personal property exemptions widespread throughout the largest metropolitan areas in each of the 50 states and the District of Columbia, summarized in **Exhibit 21**. Perhaps most notable is inventory exemptions: 45 states provide preferential treatment, including 41 that provide a full exemption.

Exhibit 21: Personal Property Tax Exemption and Preferential Treatment in the U.S.

	Number of States
<b>Machinery &amp; Equipment</b>	
Full Exemption	20
Preferential Treatment	30
<b>Manufacturer's Inventories</b>	
Full Exemption	41
Preferential Treatment	45
<b>Fixtures</b>	
Full Exemption	14
Preferential Treatment	22

## 4.2. Personal Property Tax Rates

There are four components to the personal property tax rate applied to the net taxable values. These elements are:

- (1) The Basic Municipal Contribution tax rate for real property is up to 4.00%.
- (2) The State Redemption Fund Tax adds 1.03%.
- (3) CAE tax rates vary by Municipality, ranging from 1.00% to 5.50%.
- (4) Act 16-1960 authorizes Hacienda to grant a discount of 0.20% on the basic tax rate.

For example, the calculation for San Juan’s personal property tax rate for FY2022, which has a CAE tax rate of 3.50%, is as follows:

<div style="background-color: #d9e1f2; padding: 5px; border: 1px solid #ccc;"> <u>Basic tax</u> 4.00%         </div>	+	<div style="background-color: #d9e1f2; padding: 5px; border: 1px solid #ccc;"> <u>State Redemption Fund Tax</u> 1.03%         </div>	+	<div style="background-color: #d9e1f2; padding: 5px; border: 1px solid #ccc;"> <u>CAE tax</u> 3.50%         </div>	-	<div style="background-color: #cccccc; padding: 5px; border: 1px solid #ccc;"> <u>Discount</u> 0.20%         </div>	=	<div style="background-color: #003366; color: white; padding: 5px; border: 1px solid #ccc;"> <u>Total</u> 8.33%         </div>
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<sup>13</sup> Source: Maryland Department of Assessment, *Seventy-Fourth Annual Report, FY2018*.

In total, as shown in **Exhibit 22**, the combined personal property tax rates for FY2022 range from 5.80% to 10.33% of net taxable value for all Municipalities. See **Appendix 11** for detailed calculations by Municipality. Personal property tax rates are significantly higher than in any state in the U.S., and they are estimated to be 20 times the effective tax rate on residential properties.

**Exhibit 22: Personal Property Statutory Rates for FY2022 (Post-discount)**

<b>Rate Range</b>	<b>Number of Municipalities</b>
5.00% - 5.99%	2
6.00% - 6.99%	21
7.00% - 7.99%	15
8.00% - 8.99%	34
9.00% - 9.99%	4
10.00% - 10.99%	2

### 4.3. Collection Rates

As mentioned above, taxes for personal property values are self-assessed by taxpayers on their personal property tax returns based on the values as of January 1<sup>st</sup> of each year. The personal property tax return is due on or before May 15<sup>th</sup>. An extension of 90 days is available to file the personal property tax return if requested on or before May 15<sup>th</sup>. The filing extension does not constitute an extension for the payment of the taxes due. In FY2020, however, as a response to the COVID-19 pandemic, the personal property tax filing date was extended to August 1, 2020.

If the personal property tax liability exceeds \$1,000, the taxpayer pays estimated amounts in four equal quarterly installments due on or before the 15<sup>th</sup> day of August, November, February, and May of every year. Estimated personal property tax payments are the lesser of 90% of the current year's tax or 100% of the prior year's tax. Any tax not covered by the estimated tax payments needs to be paid by May 15<sup>th</sup>. For FY2021, CRIM delayed the first quarterly installment from August 15<sup>th</sup> to September 15<sup>th</sup> due to COVID-19.

The taxpayer is allowed a 5% discount if the personal property taxes for the current year is paid through the required estimated payments. Taxpayers not required to pay estimated taxes can take the 5% discount if they pay their total personal property taxes by May 15<sup>th</sup>. Not paying the tax on the due date can result in a penalty of 5% of the unpaid amount for a delay in payment over 30 days, but not more than 60 days; 10% of the unpaid amount for a delay in payment over 60 days, but not more than 90 days; and 15% of the unpaid amount for a delay in payment over 90 days.

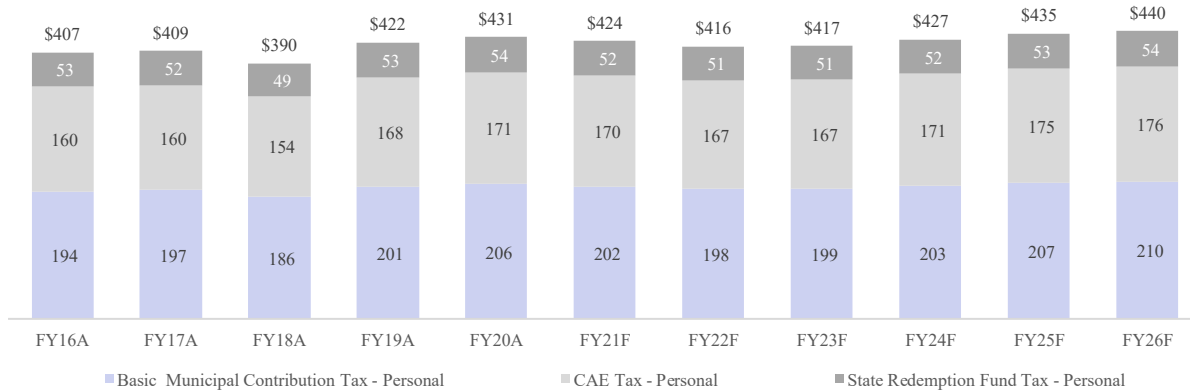
As one may expect with self-assessed taxes, total collection rates are close to 100%. CRIM's operational efforts to date have focused on improving the electronic filing system to streamline and simplify the process for taxpayers, eliminate payment delays, and address other issues resulting from outdated technology. Starting in FY2018, CRIM required personal property filings to be submitted electronically through the Personal Property Portal. Future opportunities for personal property tax improvement rely primarily on increased compliance (i.e., ensuring appropriate valuation, application of exemptions, and filings). This opportunity is further discussed in **Part V: Measures**.

#### 4.4. Personal Property Tax Revenues Over Time

**Exhibit 23** presents historical and projected baseline revenues broken into three groups corresponding to the three types of tax rates.

**Exhibit 23: Historical and Projected Baseline Personal Property Tax Revenues**

*(Dollars in millions)*

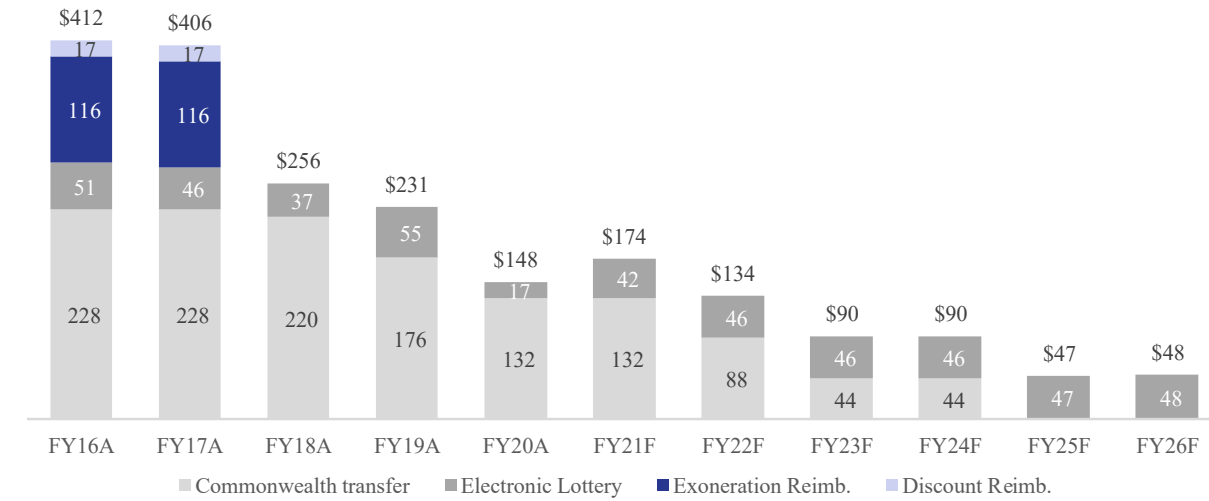


#### Chapter 5. Central Government Transfers

Historically, the Central Government transferred funds to CRIM through General Fund appropriations, which were then distributed to the Municipalities. These include a) Equalization Funds per Article 7.015 of the Municipal Code, and b) Exoneration Funds per Articles 7.029 and 7.031 of the Municipal Code and per Act 16-1960. Article 7.015 of the Municipal Code established a special fund known as the Equalization Fund to ensure that all municipalities receive at least the same amount of revenues as they received in the prior year from these sources. The Equalization Fund currently includes Commonwealth transfer and 35% of Electronic Lottery net annual income. As part of the certified Commonwealth Fiscal Plan, most of the Central Government transfers will be eliminated. By FY2025, only the Electronic Lottery funds will remain, as shown in **Exhibit 24**.

## Exhibit 24: Historical and Projected Central Government Transfers

(Dollars in millions)



### 5.1. Commonwealth Transfer

Historically, the Commonwealth transfer represented 2.5% of the net internal revenue of the Commonwealth’s General Fund. In FY2018, according to the Commonwealth Fiscal Plan, this amount was capped at \$219.7 million, and the 2021 Commonwealth Fiscal Plan gradually eliminates this transfer by FY2025. The Commonwealth transfer was \$175.8 million in FY2019 (a 20% reduction from FY2018) and \$131.8 million in FY2020 (a 40% reduction from FY2018). For FY2021, the Commonwealth transfer was originally projected to be \$87.9 million (a 60% reduction from FY2018) per the 2019 certified Commonwealth Fiscal Plan. However, due to the COVID-19 pandemic, and in accordance with the 2020 Commonwealth Fiscal Plan, the FY2021 Commonwealth transfer remained at \$131.8 million. The halting of the gradual phase-out of the Commonwealth transfer provided incremental support and funding to the Municipalities during the COVID-19 pandemic. The phase-out elimination will resume in FY2022 when the Commonwealth transfer is reduced to \$87.9 million.

The phase-out period allows Municipalities to implement revenue-enhancing and cost-cutting measures to offset the decline in Commonwealth transfer and achieve long-term fiscal sustainability. To achieve this, Municipalities must:

- Work closely with CRIM to broaden the tax base and increase property tax collections by improving compliance through the implementation of the measures in this Fiscal Plan
- Maximize grants by partnering with the private sector, non-governmental organization, and Federal programs to improve the sustainability of municipal programs and events
- Secure disaster aid and other specific economic development measures available to promote short-term recovery, as needed
- Identify new economic development opportunities that will provide the resources needed to continue providing residents with an improved quality of life

- Consolidate municipal services with neighboring municipalities to reduce costs

In addition, the Municipalities must maximize all the federal aid granted under the recently approved ARP Act to continue to fund essential services to the people of Puerto Rico and leverage these funds to achieve long-term fiscal sustainability.

## 5.2. Electronic Lottery Funds

CRIM receives 35% of the net annual income from the Electronic Lottery operations to distribute to the Municipalities through the Equalization Fund. Net annual income is net of winnings and any other operating expenses.

For FY2020, Hacienda originally estimated electronic lottery proceeds to be approximately \$47.3 million. However, due to higher lottery winnings during the first half of FY2020 and the impact of the COVID-19 pandemic during the second half of FY2020, Hacienda informed CRIM on April 1, 2020, that the original estimate was amended to \$27.7 million. From July 2019 to April 2020, the monthly municipal remittances were based on the original projection of \$47.3 million. CRIM adjusted the remittances for May 2020 and June 2020 to reflect the lower electronic lottery proceeds of \$27.7 million. Nevertheless, due to the ongoing impact that the COVID-19 pandemic had on lottery sales, electronic lottery proceeds for FY2020 totaled \$16.7 million, approximately 35% of the original estimate and 60% of the revised estimate. Any shortfall from the lower lottery proceeds was reconciled and accounted for during the year-end liquidation process. CRIM is awaiting audited results for FY2020 to validate the lottery proceeds received from Hacienda.

In FY2021, CRIM's Fiscal Plan originally estimated the electronic lottery proceeds to be approximately \$42.1 million. However, Hacienda informed CRIM in March 2021 that year-to-date lottery proceeds were coming in lower than anticipated by \$2.3 million due to higher winnings, even though lottery sales for this period were 5% higher than projected. As a result, to avoid liquidity issues, CRIM adjusted the monthly municipal remittances for the second half of FY2021 to reflect this lower estimate. This adjustment protects CRIM from over-advancing to the Municipalities to the extent electronic lottery proceeds do not recover.

As noted above, the electronic lottery proceeds are distributed to the Municipalities by CRIM as part of the Equalization Fund. Before the beginning of every Fiscal Year, CRIM informs the Municipalities on their projected property tax collections and Equalization Fund allocation. The Municipalities use these estimated revenues to prepare their operating budgets. CRIM advances these estimated revenues as part of the monthly municipal remittances. If lottery sales are lower than projected, or winnings are higher than anticipated, as has been the case in prior years, the electronic lottery proceeds received by CRIM might be lower than originally estimated and communicated to the Municipalities. If this is the case, CRIM needs to do a mid-year adjustment to the monthly municipal remittances to reflect this lower amount to avoid over-advancing and having a liquidity issue at the agency. Any mid-year adjustment that reduces revenues negatively impacts Municipalities as they need to adjust their annual budgets, which may impact the funding of essential services. To avoid having to do a mid-year adjustment in FY2022, for Equalization purposes, CRIM will use a lower lottery estimate than the Commonwealth Fiscal Plan to account for potential fluctuations in sales and winnings. By using a more conservative estimate, CRIM ensures that municipal budgets are prepared with figures that are more likely to be achieved. To

the extent lottery proceeds come in higher than CRIM's estimate, any incremental amount will be distributed as part of the year-end liquidation process. For FY2022, CRIM projects electronic lottery proceeds to be \$36.6 million, based on a three (3) year moving average. In comparison, the certified Commonwealth Fiscal Plan is projecting electronic lottery proceeds of \$45.9 million.

CRIM must continue to work with Hacienda to closely track electronic lottery proceeds and identify any variances. As part of this effort, CRIM must obtain from Hacienda a monthly report detailing the electronic lottery performance. This report must include year-to-date actual versus projected sales, winnings, and other disbursements that might impact net income.

### 5.3. Exoneration Funds

Each primary residence is exonerated from paying the tax burden for the first \$15,000 appraisal value, as established by the Municipal Code. Before FY2018, the Commonwealth reimbursed the municipalities for the exonerated portion of the property tax, including \$86 million for the exonerated basic tax and \$30 million for the exonerated CAE tax, as part of the Exoneration Fund. In addition, Act 16-1960 authorizes Hacienda to grant a discount of 0.2% of the annual basic tax over the assessed value of all real and personal property not exempted from taxes. Until FY2018, Hacienda reimbursed the discount to the Municipalities. For the fiscal year ended June 30, 2017, the discount totaled approximately \$17 million. The Exoneration Fund was eliminated in FY2018 in accordance with the certified Commonwealth Fiscal Plan.

Given the elimination of the Exoneration Fund, Municipalities must work with the Government to quantify and understand the impact of all the current exemptions and exonerations on municipal finances. The Government should consider repealing all current exemptions and exonerations that are not justifiable and negatively impact municipal finances, as discussed in more detail in **Part V: Measures**.

## Chapter 6: Other Revenues

In addition to property taxes, CRIM records other de minimis operating revenues, including:

- Service charges to banks, which amounted to \$1.0 million in FY2020<sup>14</sup>
- Sales and certifications of maps, which amounted to \$0.7 million in FY2020. CRIM offers a variety of mapping products available to the taxpayer or agencies at a set cost
- Interest and miscellaneous income, which amounted to \$0.1 million in FY2020

Article 7.017 of the Municipal Code states that Hacienda must transfer 2% of the collections from Act 22-2000 fines and infractions to CRIM; however, Hacienda collects and sends these funds directly to the Municipalities. According to the CRIM management team, this is a de minimis amount of funds.

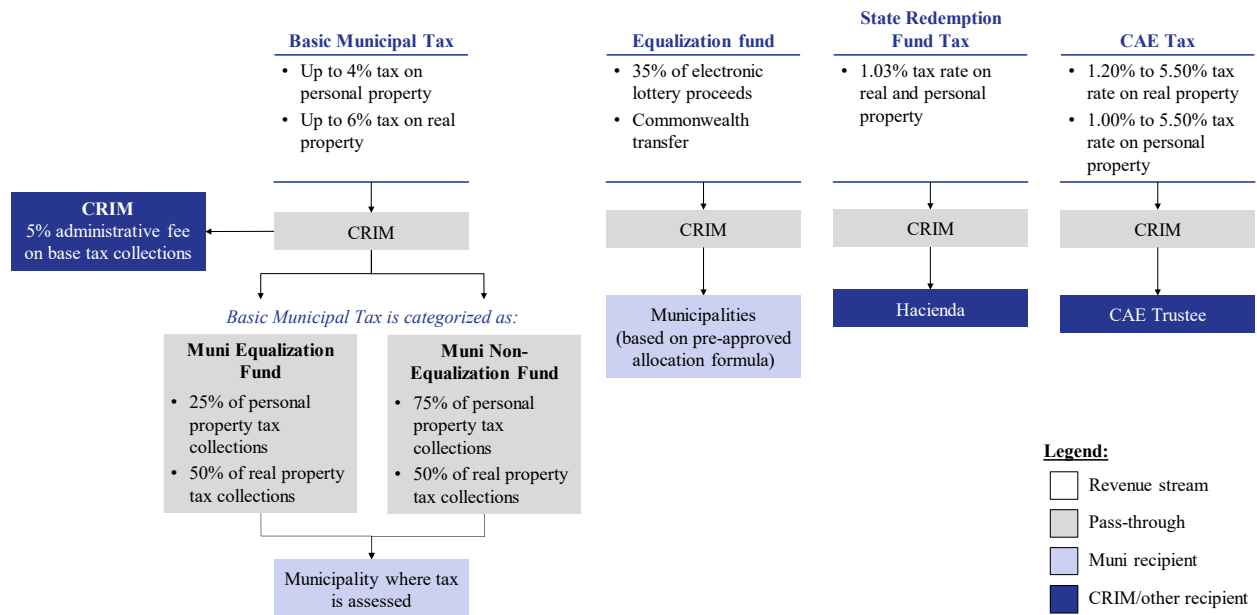
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<sup>14</sup> Source: CRIM FY2020 Financial Statements

## Part III. Uses of Funds

In addition to overseeing the collection of property taxes from individuals and businesses, CRIM manages the redistribution of such funds in three major categories: advances to municipalities, transfers of the State Redemption Fund Tax to the Central Government;<sup>15</sup> and transfer of the CAE Tax to the trustee to pay the municipal CAE debt service. In order to support CRIM operating expenses, CRIM retains 5% of the total basic municipal tax ("CRIM Admin Fee"). **Exhibit 25** presents the uses of funds in greater detail.

Exhibit 25: Uses of Funds Overview



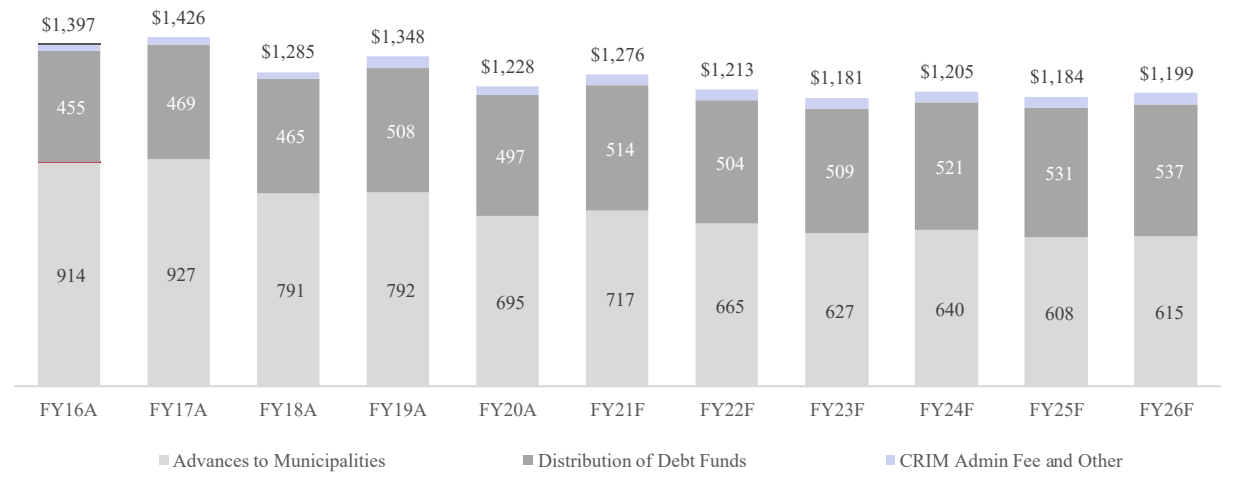
<sup>15</sup> The taxes deposited in the State Redemption Fund have been used in the past for General Obligation (“GO”) Bond debt service. Some holders of GO bond claims and Commonwealth-guaranteed bond claims have asserted their bonds are secured by the 1.03% tax on real and personal property collected in the State Redemption Fund. The Commonwealth and the Oversight Board disagree with that position and assert the GO bonds and Commonwealth-guaranteed bonds are unsecured obligations of the Commonwealth. Nevertheless, since money is fungible, the joint plan of adjustment filed on February 28, 2020 [ECF No. 11946] provides the 1.03% tax on real and personal property collected in the State Redemption Fund would be used to pay GO bond claims recovery.



**Exhibit 26** presents CRIM's historical and projected uses of funds.

Exhibit 26: Historical and Projected Uses of Funds

(Dollars in millions)



## Chapter 7. Advances to Municipalities

Municipalities are funded by the Basic Municipal Contribution and the Equalization Fund, as shown in **Exhibit 25**. The distribution of these funds, shown in **Exhibit 26** as "Advances to Municipalities," totaled \$695.1 million in FY2020, a decrease of \$96.8 million or 12.2% from FY2019. **Appendix 12** provides the advances by municipality for FY2022, adjusted for the lower electronic lottery proceeds projected by CRIM. Similarly, **Appendix 13** projects the advances to Municipalities for FY2023 to FY2026.

### 7.1. Basic Municipal Tax

Municipalities are funded by the Basic Municipal Tax consisting of up to 6% tax on real property and up to 4% tax on the personal property per the Municipal Code, as amended. While the Basic Municipal Tax is divided into the Municipal Non-Equalization Fund and the Municipal Equalization Fund, as shown in **Exhibit 25**, all collections are currently remitted to the municipality where the tax is assessed. This distinction is used internally by CRIM to allocate the Equalization Fund across the Municipalities.

- The Municipal Non-Equalization Fund distributes the basic non-exempt portion, consisting of approximately 75% of personal property tax collections and approximately 50% of real property tax collections, directly to the respective municipality that assessed the property taxes.

- The Municipal Equalization Fund distributes the remaining 25% of personal property tax collections and 50% of real property tax collections to the respective municipality that assessed the property taxes.

## 7.2. Equalization Fund

Because of substantial disparities in municipalities' capacities to raise revenue, an Equalization Fund was originally established by Article 15 of Act 80-1991 and incorporated in Article 7.015 of the Municipal Code provisions to provide additional funds to municipalities with insufficient tax base to ensure a comparable level of funding year-over-year. For FY2019, the Equalization Fund was approximately 11.1% of municipal general fund budget and ranged from more than 70% of the total general fund budget for Las Marias to 0% for other municipalities (mostly for the large municipalities including San Juan). Additionally, spending levels vary significantly across municipalities, all of which provide key services to their citizens. For FY2019, the average per capita general fund budget for municipalities was \$611, with significant variability as indicated by a high of \$2,477 per person in Culebra to a low of \$190 in Toa Alta. See **Appendix 14** for more detail.

The purpose of the Equalization Fund is to ensure that each municipality receives annual remittances equivalent to the remittances they received in FY2017, which is used as the base year per Article 7.019 of the Municipal Code. The base year remittances are calculated as the Municipal Equalization Fund collections (approximately 25% of personal property tax collections and approximately 50% of real property tax collections) for FY2017, which amounted to approximately \$242 million, plus the Commonwealth transfer and Electronic lottery proceeds, which as shown in **Exhibit 24**, totaled \$274 million in FY2017. Therefore, the base level used for equalization purposes is \$516 million.

The equalization deficiency is calculated as the FY2017 base year remittances minus current year Municipal Equalization Fund collections. For FY2022, Municipal Equalization Fund collections are projected to be approximately \$238 million, which leaves an equalization deficiency of approximately \$278 million.

If the Equalization Fund in any given year is not enough to fully equalize the Municipalities to the FY2017 base level, Article 7.019 of the Municipal Code allows CRIM's governing board to establish any objective criteria, as the circumstances may merit each year, to allocate the funds. Article 7.019(b) of the Municipal Code provides a list of criteria that CRIM's governing board may use as guidelines to establish the formula, such as population. However, CRIM's governing board is ultimately granted the discretion to establish any other objective criteria it deems necessary to maintain proportionality in the distribution of the Equalization Fund.

The Fiscal Plan allocates the Equalization Fund, which totals \$124.5 million for FY2022, proportional to this deficiency. For example, if a municipality has 10% of the total equalization deficiency, that municipality would receive 10% of the Equalization Fund. However, if a municipality does not have a deficiency, meaning its current year Municipal Equalization Fund collections are greater than the base year remittances, that municipality would not be allocated any funds from the Equalization Fund. Note that the Equalization Fund of \$124.5 million reflects the lower electronic lottery proceeds of \$36.6 million projected by CRIM

Any changes to the Equalization Fund distribution formula must be agreed upon by the Oversight Board in accordance with the recently amended policy on the review of rules, regulations, and orders.

To ensure the fiscal targets in this Fiscal Plan are met, as shown in **Exhibit 24**, the Commonwealth transfer must be phased out by FY2025, and only the electronic lottery proceeds will remain in the Equalization Fund. As part of the measures described in this Fiscal Plan, CRIM must continue to work with the Municipalities to increase tax collections, which will provide additional funds to help offset the reduction in the Equalization Fund. Nevertheless, the increase in property tax collections will not be shared equally among the Municipalities, as the municipalities with the highest number of properties will most likely be the ones that benefit the most. This means that many municipalities, especially those with a small tax base that have historically depended on the Equalization Fund for a big part of their operating revenues, may not be able to achieve comparable collections to the base year even after accounting for the impact of the measures and the allocation of the electronic lottery proceeds. To ensure that the smaller municipalities also benefit from these measures, CRIM must work closely with the Municipalities, AAFAF, and the Oversight Board to investigate a funding strategy where the municipalities with the higher number of properties would contribute a portion of their collections to the Equalization Fund, which would be disbursed to the smaller municipalities to ensure essential services are adequately funded. Any funding strategy must be agreed to by CRIM, AAFAF, and the Municipalities and must be approved by the Oversight Board before it is implemented. CRIM must submit a proposed funding strategy to the Oversight Board before the end of the second quarter of FY2022.

### 7.3. Statutory and Contractual Debts Paid on Behalf of Municipalities

CRIM pays certain statutory and contractual debts on behalf of the Municipalities, which are recognized as an expense by the Municipalities. Statutory debts include, but are not limited to, CRIM Admin Fee, a 5% fee on all basic tax collections that CRIM charges the Municipalities to fund its operations, and the Government Development Bank ("GDB") lines of credit.

GDB granted two loans to CRIM totaling \$271.5 million in principal: (i) loan dated June 28, 2001 ("2001 CRIM Loan"), pursuant to Act No. 42-2000, as amended; and (ii) loan dated March 18, 2002 ("2002 CRIM loan"), pursuant to Act No. 146-2001, as amended.

The 2001 CRIM Loan amounted to \$166.5 million. This loan was used to cover advances CRIM made to municipalities based on projected tax collections that later proved to be greater than the actual tax collections. Municipalities are indebted to CRIM for the excess remittances received. Both interest and principal are payable on January 1 and July 1 of each year. CRIM withholds the corresponding funds from the municipalities' remittances for the loan payment. For FY2022, the amount corresponding to principal payments is projected to be \$4.4 million, and the amount corresponding to interest payments is projected to be approximately \$3.9 million. The 2021 CRIM loan, which had an outstanding principal amount of \$68.3 million as of January 2021, matures on July 1, 2032.

The 2002 CRIM Loan amounted to \$105.0 million and was used to repurchase the tax liens sold to Puerto Rico Public Finance Corporation on June 30, 1998. Interest on the loan is payable on March 31 and September 30 of each year, and the principal is payable on March 31 of each year.

CRIM withholds funds from the municipalities' remittances for the payment of the loan. For FY2022, the amount corresponding to principal payment is projected to be \$2.0 million, and the amount corresponding to interest payments is projected to be approximately \$0.7 million. The 2002 CRIM Loan, which had an outstanding principal amount of \$23.4 million as of January 2021, matures on July 1, 2032.

In accordance with Section 1.3 of the Loan Agreements for the 2001 CRIM Loan and the 2002 CRIM Loan (the "Loan Agreements"), these loans must be repaid with 0.48% of the Commonwealth transfer, which historically represented 2.5% of the net internal revenue of the Commonwealth's General Fund. The Loan Agreements state that if the 0.48% of the Commonwealth transfer is not enough to pay for the annual debt service, the payment must be made from the Municipality's operating budget. This will be the case as the Commonwealth transfer continues to be phased out and eliminated by FY2025 per the certified Commonwealth Fiscal Plan. Therefore, it is imperative for the Municipalities to implement revenue-enhancing measures, including those in this Fiscal Plan, to strengthen their operating budgets and ensure that they can continue to pay all their statutory obligations in a fiscally sustainable manner. In addition to the repayment methods identified above, the 2002 CRIM Loan Agreement also states that any delinquent property taxes collected since the line of credit was established can be used to repay the principal.

CRIM also pays other operating loans that the Municipalities have with commercial banks or other financial institutions on behalf of the municipalities. AAFAF informs CRIM of the amount that it must retain from the monthly municipal remittances to repay these operating loans. For FY2022, AAFAF projects \$18.5 million in principal payment and \$8.5 million in interest payment to repay these loans.

In addition, CRIM withholds from the monthly municipal remittances any debt resulting from over-advances of property taxes in previous fiscal years as certified in the year-end reconciliation process. The debt is collected on a two-year delay, which means that in FY2022, CRIM will collect any debt resulting from over-advancements during FY2020.

Similarly, CRIM also pays some contractual debt that municipalities have with private or public entities, including waste management services, municipal insurance policies, and amounts due to other governmental entities under payment plans subscribed by the Municipalities such as the Retirement System for Employees of the Government of Puerto Rico ("ERS"), the Puerto Rico Aqueduct and Sewer Authority ("PRASA"), and the Puerto Rico Electric Power Authority ("PREPA"). These contractual debts are also recognized as an expense by the Municipalities and paid by CRIM on their behalf.

The remaining funds, net of statutory and contractual debt, are advanced to municipalities, which are used to fund other municipal operations.

#### 7.4. Law 29-2019 Nullification

The Puerto Rico Legislature passed Law No. 29 of May 17, 2019 ("Law 29-2019"), which transferred the primary obligation of municipal pension pay-as-you-go ("PayGo") and Health Insurance Administration ("ASES" for its Spanish acronym) payments from the Municipalities to

the Commonwealth. Despite the Oversight Board's opposition, the Governor signed the measure into law on May 17, 2019. Law 29-2019 exempted the Municipalities from making healthcare payments to ASES and required that CRIM retain up to 50% of such amount in the Equalization Fund and remit the remaining 50% directly to the Municipalities. Law 29-2019 also exempted the Municipalities from paying their PayGo obligations, imposing on the Commonwealth full responsibility to fund pensions for municipal retirees. Law 29-2019 required that CRIM retain in the Equalization Fund up to 90% of the PayGo amount the Municipalities would otherwise have to pay and transfer the remaining 10% directly to the Municipalities. Through FY2020, CRIM operated under Law 29-2019 mandate despite the Oversight Board's directive to the contrary, and retained the amounts required by Law 29-2019 to fund the Equalization Fund for FY2020. On July 3, 2019, the Oversight Board filed an adversary proceeding in the Title III court against the Governor and AAFAF seeking, among other things, a court order enjoining enforcement of Law 29-2019 and deeming it a nullity because, among other things, (1) it impaired and/or defeated the purposes of PROMESA, as determined by the Oversight Board; (2) unlawfully reprogrammed funds without prior consent from the Oversight Board as required by PROMESA; and (3) unlawfully modified the Municipalities' debt and the Commonwealth's debt without prior approval of the Oversight Board as required by PROMESA.

On April 15, 2020, the Title III court issued a decision granting summary judgment to the Oversight Board on several of its claims. The court issued a permanent injunction precluding the enforcement of Law 29-2019 and declared Law 29-2019 a nullity because it violated various provisions of PROMESA. The Title III court's order became effective on May 7, 2020. As a result of the court's order nullifying Law 29-2019, the Municipalities were required to reimburse the Commonwealth for funds received under Law 29-2019 and to cover their own employees' health care and PayGo costs going forward. Specifically, for FY2020, the Municipalities were obligated to repay to the Commonwealth \$165.7 million in PayGo expenses and \$31.6 million in health care costs.

Following the Title III court's April 15, 2020 order, the Oversight Board, the Government, and CRIM agreed that the combined amount due, \$197.3 million, would be partially offset by the Commonwealth transfer of \$131.8 million that was transferred to CRIM in accordance with the certified 2020 Commonwealth Fiscal Plan and certified FY2021 Budget. Under Law 29-2019, CRIM retained these funds and did not use them as part of the Equalization Fund for FY2020, as required by the certified Commonwealth Fiscal Plan. CRIM transferred \$131.8 million to ASES and ERS to partially repay the FY2020 PayGo and health care debt. Credit for the \$131.8 million repayment was allocated proportionally to the Municipalities based on their projected FY2020 PayGo and health care debt.

The Municipalities had to repay the remaining \$65.5 million balance according to the repayment waterfall in **Exhibit 27**. This repayment waterfall focuses on incremental revenues that municipalities had not considered in their FY2020 or FY2021 budgets. Therefore, the financial impact on municipalities should be minimized, as debt repayment is primarily through unbudgeted revenues.

Exhibit 27: Law 29-2019 Repayment Waterfall

Repayment waterfall	Description
<p><b>Step 1</b> – Offset outstanding obligation against electronic lottery funds true-up</p>	<ul style="list-style-type: none"> <li>• CRIM identified \$17.6 million of Electronic Lottery proceeds from FY2016 and FY2017 previously not remitted to CRIM as required by Law</li> <li>• Use these funds to offset a portion of the remaining obligation of \$66 million</li> </ul>
<p><b>Step 2</b> – Offset outstanding obligation against excess CAE tax rebate</p>	<ul style="list-style-type: none"> <li>• If tax collections exceed the amount needed to cover annual debt service on CAE loans, municipalities receive this excess at the end of the year</li> <li>• Use these funds to further offset remaining obligations after Step 1</li> </ul>
<p><b>Step 3</b> – Offset outstanding obligation against the final FY20 liquidation</p>	<ul style="list-style-type: none"> <li>• CRIM projects annual municipal advances at the beginning of each fiscal year and remits funds based on projections monthly</li> <li>• After the fiscal year ends, CRIM reconciles actual collections to remittances and liquidates any excess to the corresponding municipality</li> <li>• Use these funds to further offset remaining obligations after Steps 1 and 2</li> </ul>
<p><b>Step 4</b> – Offset outstanding obligation against the collection of aged Accounts Receivable (“A/R”)</p>	<ul style="list-style-type: none"> <li>• CRIM will value and plan to monetize its portfolio of the A/R by the end of FY2021. This is projected to result in up to \$400 million in proceeds</li> <li>• Proceeds from the sale of this portfolio shall be paid to the Commonwealth to further offset remaining obligations after Steps 1, 2 and 3</li> <li>• If the sale of the portfolio is not finalized by the end of FY2021, CRIM must move to Step 5 of this repayment waterfall</li> </ul>
<p><b>Step 5</b> – Offset outstanding obligation against municipal advances</p>	<ul style="list-style-type: none"> <li>• If FY2020 PayGo and health care obligations are not fully repaid after Steps 1, 2, 3, and 4, CRIM must offset the FY2022 municipality’s monthly advances until the remaining obligation is repaid in full</li> <li>• To minimize the impact of offsets, CRIM must undertake revenue-enhancing measures to secure additional revenues that could then offset the remaining liability due</li> <li>• If CRIM does not achieve its revenue-enhancing measures by the end of FY2022, a series of collection measures will be enacted. These measures include the establishment of a lockbox mechanism to control all cash receipts and disbursements and an immediate offset of 25% of the outstanding obligation from property tax advances</li> <li>• These offsets will continue in varying amounts until the obligation is fully repaid</li> <li>• If the balance of the FY2020 health care and PayGo obligations is not paid down by the end of FY2022, the budgeted monthly Commonwealth transfer will be placed on hold until the requirement is met</li> </ul>

Since the beginning of FY2021, CRIM, AAFAF, and the Municipalities have been working closely with the Oversight Board to implement the repayment waterfall and pay any outstanding FY2020 PayGo and health care obligations. Funds have been prioritized to pay PayGo debt first before paying health care debt. **Appendix 15** illustrates how the different payment sources have been allocated by municipality and quantifies each municipality's estimated outstanding obligation.

For Step 1 of the waterfall, Hacienda transferred \$12.9 million of the \$17.6 million of FY2016 and FY2017 electronic lottery proceeds to CRIM. CRIM is reviewing the Government's audited financial statements and working with Hacienda to reconcile the remaining \$4.7 million of proceeds outstanding. If these additional funds are received, CRIM must use them to repay any outstanding FY2020 municipal PayGo and health care obligations, as required by the repayment waterfall. From the \$12.9 million received by CRIM, \$6.7 million was used to repay CAE tax and State Redemption Fund taxes that CRIM had mistakenly advanced to Municipalities as basic tax. The remaining \$6.2 million were allocated to the Municipalities based on the FY2017 year-end liquidation formula. These funds were applied against the FY2020 PayGo and health care obligations first, with the municipalities receiving any excess if their obligations were fully paid. CRIM remitted \$4.1 million to ERS, \$0.9 million to ASES, and \$1.2 million to the Municipalities with no outstanding debt.

For Step 2 of the waterfall, the Oversight Board instructed AAFAF to prioritize excess CAE tax to repay FY2020 PayGo and health care debt over other statutory debt. In FY2020, AAFAF certified excess CAE tax to be \$152.8 million, which included \$52.8 million of excess CAE tax from FY2018 and FY2019 that some municipalities had not asked AAFAF to remit. AAFAF paid \$108.4 million in statutory debt on behalf of Municipalities, including \$76.1 million in CAE refinancing for San Juan, \$5.3 million in FY2020 PayGo debt, and \$5.6 million in FY2020 health care debt. AAFAF remitted the remaining \$44.4 million to the corresponding municipality.

For Step 3 of the waterfall, CRIM certified a year-end liquidation of \$26.7 million for FY2020, with 63 municipalities collecting more funds than what had been remitted to them over the 12 months. These funds were applied against the FY2020 PayGo and health care obligations first, with the Municipalities receiving any excess of their corresponding liquidation if their obligations were fully paid. CRIM remitted \$12.6 million to ERS, \$4.1 million to ASES to repay FY2020 obligations.

Incremental to the repayment waterfall, CRIM identified \$5.9 million of additional funds that CRIM had withheld from Municipalities and had not been used as a credit for PayGo debt in accordance with Act No. 253 of December 6, 2018, as amended ("Act 253-2018"). Act 253-2018 exempted Municipalities from paying their ASES obligation from July 1, 2018, to September 30, 2019, due to higher federal funds, but required that an amount equal to 50% of what would have otherwise been their ASES contribution be withheld and use as a credit for any historical PayGo debt that the municipalities may have had. To the extent a municipality did not have debt outstanding, the credit would be extended to apply to FY2020 or until it was exhausted.

Similarly, incrementally to the repayment waterfall, many municipalities entered into a payment plan with ERS to repay their FY2020 PayGo debt over a period of up to 72 months. The Oversight Board informed ERS on September 9, 2020, that payment plans for FY2020 PayGo debt were contrary to the repayment waterfall and instructed ERS not to enter into any new payment plans, as all outstanding FY2020 debt must be paid according to the steps outlined in this Fiscal Plan. Municipalities with payment plans can make monthly payments incremental to the repayment waterfall, but they are not exempt from the repayment waterfall. As of March 2021, municipalities had paid \$6.7 million in incremental payments.

As of March 2021, 98.8% of the \$165.7 million in FY2020 PayGo obligation has been repaid. Eleven (11) municipalities still have PayGo debt totaling \$2.0 million, with the municipality of Ponce owing approximately 40% of it. This outstanding FY2020 debt will be repaid through steps



4 and 5 of the repayment waterfall. Similarly, 41.7% of the \$31.6 million in FY2020 health care obligation has been repaid. Twenty-two (22) municipalities still have health care debt totaling \$18.4 million, with three municipalities (Guaynabo, Ponce, and San Juan) owing approximately 94% of it. This outstanding debt must be repaid following the repayment waterfall. Given the delay in the valuation of the A/R portfolio, as explained in more detail in **Part V: Measures**, it is unlikely that CRIM will be able to sell the portfolio before the end of FY2021, which is step 4 of the repayment waterfall. Therefore, to the extent the sale has not been completed by June 30, 2021, and there is any outstanding FY2020 PayGo and health care debt, CRIM must offset from the municipalities' advances an amount equal to 1/12<sup>th</sup> of the outstanding FY2020 PayGo and health care debt monthly, beginning on July 1, 2021. This will ensure that the debt is fully repaid by the end of FY2022, as required by this Fiscal Plan. In total, 56 municipalities have fully paid off their FY2020 PayGo and health care obligations.

On March 14, 2020, an organization comprised of mayors known as “La Liga de Ciudades de Puerto Rico” (“La Liga”) filed a lawsuit against the Oversight Board, AAFAF, CRIM, ASES, and the Administrator of ERS relating to the nullification of Law 29-2019 and the repayment of FY2020 municipal PayGo and ASES obligations. La Liga asked the Court, among other things, to enter a declaratory judgment that the debts claimed by CRIM, ASES, and ERS (based on the Oversight Board’s application of Judge Swain’s ruling) are nonexistent and CRIM’s withholding of funds to cover these alleged debts is illegal. The Oversight Board believes La Liga’s claims are without merit and will respond to La Liga’s complaint on or before May 14, 2021.

## 7.5. PayGo Pension Offset

Municipalities are responsible for budgeting and paying their annual PayGo fee invoiced as determined by ERS. Therefore, per this Fiscal Plan and the certified Commonwealth Fiscal Plan, each municipality must pay newly accruing PayGo obligations immediately as they come due. If Municipalities do not pay their PayGo obligations within 30 days after receiving the invoice, ERS must instruct CRIM to offset PayGo obligations from the municipality’s property tax distribution and remit these funds directly to ERS, in accordance with Act No. 106 of August 23, 2017, as amended (“Act 106-2017”). Pursuant to Article 3.5(2)(a)(iii) of Act 106-2017, CRIM must “remit within seven (7) days after [receiving] the written notice, to the New Defined Contribution Plan and/or Accumulated Pension Benefits Payment Account, the amounts of the Contributions Owed by the Municipal employer, of the unencumbered balance of the property tax and other revenues the Municipalities are entitled to receive in accordance with Act No. 80-1991.”

For FY2018 and FY2019, many municipalities did not pay their annual PayGo obligations as they came due, which is inconsistent with this Fiscal Plan and the certified Commonwealth Fiscal Plan. As a result, many municipalities accumulated high PayGo debt levels and had to establish payment plans with ERS to ensure timely repayment of these outstanding obligations. As of March 2021, all municipalities, except for Arecibo, Luquillo, Maricao, San Juan, and Yauco, had payment plans with ERS for their FY2018 or FY2019 PayGo debt. Arecibo and San Juan are currently in discussions with ERS to finalize their payment plans. Outstanding PayGo obligations for FY2018 and FY2019, as of March 2021, are shown in **Appendix 16**. For those municipalities that do not establish a payment plan with ERS by the end of FY2021, and to ensure the adequate funding of public pension systems, CRIM is required to offset an amount equal to 1/12<sup>th</sup> of each



municipality's outstanding FY2018 and FY2019 PayGo obligations from their corresponding monthly remittances starting July 1, 2021, and withhold and remit such funds to the Commonwealth per Act 106-2017, this Fiscal Plan, the certified Commonwealth Fiscal Plan, and the certified Commonwealth budget. Similarly, all Municipalities must fully pay their FY2021 PayGo obligations as they come due. Any outstanding FY2021 PayGo debt after the last billing from ERS will be automatically withheld by CRIM from the monthly remittances, as instructed by ERS. Municipalities cannot enter in a new payment plan covering FY2021 PayGo debt without the approval of the Oversight Board.

Municipalities cannot continue to accumulate PayGo debt as it would result in unsustainable debt service in the future and may negatively impact the Municipality's ability to fund essential services to the people of Puerto Rico. **Appendix 17** illustrates the projected municipal PayGo obligations for FY2022 to FY2026, which Municipalities need to budget for. Similarly, Municipalities must contribute to the New Defined Contribution Plan to be deposited in the Defined Contribution Account in accordance with Act 106-2017. If the Municipalities fail to remit the corresponding funds to ERS, CRIM must offset each municipality's outstanding contributions as required by Act 106-2017.

## 7.6. ASES Payment Offset

CRIM is responsible for remitting the Municipalities' payment to ASES, in accordance with Act No. 72 of September 7, 1993, as amended ("Act 72-1993"). CRIM must collect and remit these funds to ASES in accordance with this Fiscal Plan and the certified Commonwealth Fiscal Plan, no later than 30 days after they become due, to ensure that ASES is adequately funded. Consistent with the nullification of Law 29-2019, the certified Commonwealth Fiscal Plan assumes that Municipalities fund their respective annual health care obligations as required by law. The certified Commonwealth Fiscal Plan includes a temporary relief for municipal ASES contributions to reflect any additional funding made available by the Federal Government. Once these incremental funding streams expire, the certified Commonwealth Fiscal Plan assumes that the Municipalities' contributions will return to statutory levels under Act 72-1993.

The certified Commonwealth Fiscal Plan provides relief to Municipalities for incremental simple FMAP funding above the base level of 55%. The formula utilized to incorporate the relief and calculate the adjusted municipal obligation is:

- $\text{Statutory ASES obligation} / ((1 - 55\% \text{ FMAP}) / (1 - \text{current Fiscal Year FMAP}))$

For FY2021, per the relief formula, the Municipalities had to pay \$63.9 million in municipal ASES obligations. CRIM has been withholding this amount from the monthly municipal remittances and has been remitting it to ASES on behalf of the Municipalities.

For FY2022, the statutory municipal ASES obligation is \$163.9 million. However, the certified Commonwealth Fiscal Plan projects a higher simple FMAP of 82.2% for the first quarter before it drops back to the base level of 55% starting in the second quarter. This results in an annualized simple FMAP of 61.8%. Because simple FMAP is higher than the 55% base, the Municipalities will receive some relief on their FY2022 ASES obligations. This relief decreases the municipal

ASES obligations by approximately \$24.8 million, resulting in net municipal ASES obligations of approximately \$139.1 million, as calculated below:

- $\$163.9 \text{ million} / ((1 - 55\%) / (1 - 61.8\%)) = \$139.1 \text{ million}$

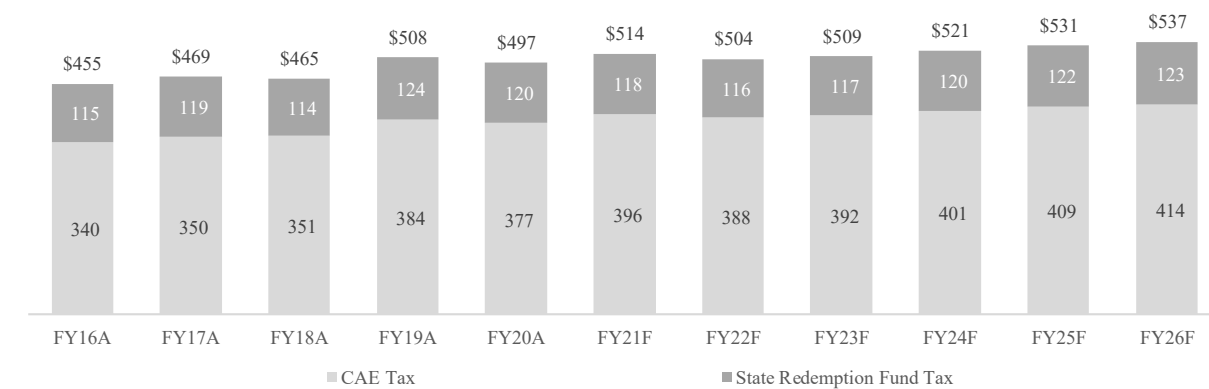
If incremental federal funds are legislated for the period starting October 1, 2021, the municipal ASES obligation would be amended proportionately to reflect the higher federal funds. **Appendix 18** details the municipal ASES obligations for FY2022, assuming no incremental federal aid is received.

## Chapter 8. Other Transfers

Along with the Basic Municipal Contributions, CRIM collects taxes related to CAE and the State Redemption Fund, which are transferred to the CAE trustee and Hacienda, respectively.

### Exhibit 28: Historical and Projected Transfers to Debt Funds

*(Dollars in millions)*



### 8.1. Special Additional Tax (“CAE tax”)

CRIM collects CAE tax, which, as provided by Article 7.284 of the Municipal Code, may be imposed by a municipality without limitation as to rate or amount on all taxable real and personal property. Under Article 7.284 of the Municipal Code, each municipality is required to levy the CAE tax rate in such amounts as required to pay all its outstanding CAE Loans. CAE tax rates vary between 1.0% and 5.5% on personal property and 1.2% to 5.5% on real property. In 56 out of the 78 municipalities, the CAE tax rate is the same for real and personal property. In 18 jurisdictions, the CAE tax rate is lower on personal property than on real property. In the remaining four (4) municipalities, the CAE tax rate is higher on personal property than on real property.

CAE tax collections are required by law to be deposited in the CAE Redemption Fund and used to pay CAE Loans. To the extent a municipality’s funds in the CAE Redemption Fund exceed the amount needed to cover 12 months debt service on CAE Loans, as determined by AAFAF, the Municipal Code requires the disbursement of such excess to the municipality, after the payment of any statutory debts of the municipality, including debts with CRIM or any government entity

or public corporation. Such excess is generally referred to as “excess CAE tax.” AAFAF requires the Municipalities to obtain certifications demonstrating that they have no outstanding obligations with other government agencies. If Municipalities have outstanding obligations (i.e., PayGo), the excess CAE tax must be used to repay these obligations. To the extent Municipalities have outstanding obligations with different agencies and the excess CAE tax is not enough to repay them in full, the Municipalities can choose which obligation(s) to pay with these funds. However, PayGo and ASES debt must be prioritized per this Fiscal Plan. Municipalities will not receive any excess CAE tax until any PayGo and ASES debts are paid and all other outstanding statutory obligations are paid.

In November 2015, CRIM and GDB executed a deed of trust for the CAE Redemption Fund, under which the CAE Redemption Fund was divided into two separate sub-funds, one of which would be invested in deposits at GDB and used for the payment of CAE Loans held by GDB; the other would be invested in certain qualified instruments and used for the payment of CAE Loans held by private banks and the Municipal Finance Authority (“MFA”) (the “Private Sub-Fund”). The Private Sub-Fund is invested in deposits at a local bank.

In April 2016, upon the imposition of restrictions on the withdrawal of funds on deposit at GDB, no additional CAE revenues were transferred to GDB. Thereafter, all CAE revenues have been deposited by CRIM at a local bank and kept in two accounts: (i) in the Private Sub-Fund, an amount based on the debt service on the CAE Loans held by private banks and MFA and (ii) in a separate account, an amount based on the debt service payable on CAE Loans held by GDB.

At the GDB restructuring approval, GDB (i) adjusted loan balances by undisbursed deposits consisting of municipal loan proceeds applied against corresponding loans, (ii) adjusted municipal loan balances by all remaining municipal deposits applied against corresponding loan types, and (iii) provided the accelerated application of non-municipal public entity deposits to non-performing loans of such entities where applicable and pursuant to the GDB Restructuring Act.

Under the GDB Restructuring Act and the GDB restructuring, GDB paid, in cash, on or before the closing of the GDB restructuring, to each municipality that had deposit claims against GDB for excess CAE tax before January 2017 corresponding to FY2015, FY2016, and FY2017 (such Excess CAE, “2015-17 Excess CAE tax”), an amount equal to 55% of such municipality’s undisbursed 2015-17 Excess CAE tax. Any remainder excess CAE tax deposited at GDB was deemed fully discharged. For the avoidance of any doubt, 2015-17 Excess CAE tax does not include, and the GDB Restructuring Act does not address, those proceeds of the special additional tax which AAFAF has certified as surplus from the Municipal Debt Redemption Fund (as defined in the Municipal Financing Act) after January 1, 2017, pursuant to Article 20(e) of the Municipal Financing Act, corresponding to FY2017 and beyond and which are deposited in the Municipal Financing Act accounts created in financial institutions outside of GDB in the name or for the benefit of each municipality.

As shown in **Exhibit 28** above, transfers to the CAE trustee are projected to be \$388.3 million in FY2022. Total CAE debt payments for FY2022 are projected to be \$244.8 million (\$146.1 million in principal and \$98.7 million in interest).

## 8.2. State Redemption Fund Tax

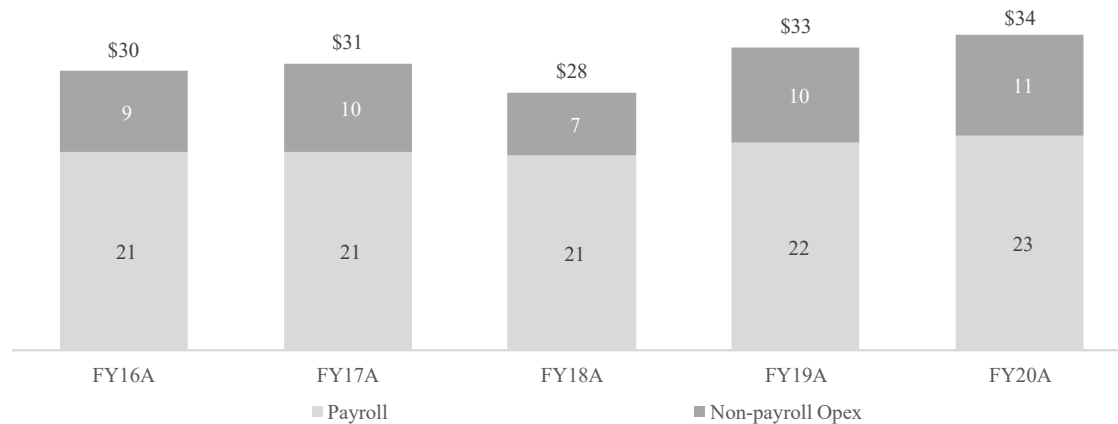
Per Article 7.026 of the Municipal Code, CRIM collects the State Redemption Fund Tax on behalf of the Central Government alongside the other property taxes. The State Redemption Fund holds a 1.03% tax that is instituted on both real and personal property. The proceeds are collected by CRIM and transferred to Hacienda.<sup>16</sup> As shown in **Exhibit 28** above, this amount is projected to be \$115.7 million in FY2022.

## Chapter 9. CRIM Operating Expenses

CRIM's operations are funded from the CRIM Admin Fee and other operating revenues, including sales and certification of maps, service charges to banks, interest, and other miscellaneous income. Historically, as reported in the audited financial statements, CRIM's operating expenses range from \$28 million to \$34 million. In FY2020, salaries and fringe benefits represent approximately 68% of total operating expenses. Other non-payroll operating expenses consist primarily of rent, professional and consulting services, utilities, and repairs and maintenance, as represented in **Exhibit 29**. Note that CRIM does not have any outstanding debt, nor does it have a separate capital expenditure budget.

### Exhibit 29: CRIM Historical Operating Expenses

(Dollars in millions)



<sup>16</sup> The taxes deposited in the State Redemption Fund have been used in the past for GO Bond debt service. Some holders of GO bond claims and Commonwealth-guaranteed bond claims have asserted their bonds are secured by the 1.03% tax on real and personal property collected in the State Redemption Fund. However, the Commonwealth and the Oversight Board disagree with that position and assert that the 2012 and 2014 GO bonds and Commonwealth-guaranteed bonds are unsecured obligations of the Commonwealth and have challenged the legality of the same in court. Nevertheless, as part of the joint plan of adjustment filed on February 28, 2020 (ECF No. 11946), the Oversight Board and the Commonwealth have desisted from challenging the legality of those GO bonds and Commonwealth-guaranteed bond and provide that the 1.03% tax on real and personal property collected in the State Redemption Fund would be used to pay GO bond claims recovery.

## Chapter 10. CRIM Flow of Funds

Property taxes are collected by (a) bank services, (b) CRIM's central and regional offices, (c) municipalities that have collaborative agreements with the agency, and (d) other collection efforts, including foreclosures. Bank services include payments made through the online portal, wire transfers, or call center, as well as other payments made by financial institutions on behalf of the taxpayer. During the first quarter of FY2021, approximately 80% of all tax payments were made through bank services, with online portal payments and wire transfers representing approximately 65% of these payments. Online portal payments have increased by approximately 115% compared to the same period in FY2020. Similarly, payments made through CRIM's call center have increased by over 400% compared to the same period last fiscal year. This increase can be partially attributed to the fact that CRIM's central and regional offices had modified schedules during the first quarter of FY2021 due to the COVID-19 pandemic. As a result, in-person payments made at the central or regional offices, which represented approximately 17% of all payments made during the first quarter of FY2021, were approximately 20% lower than the same period last fiscal year. Payments made through Municipalities represented only 3% of total payments during this period.

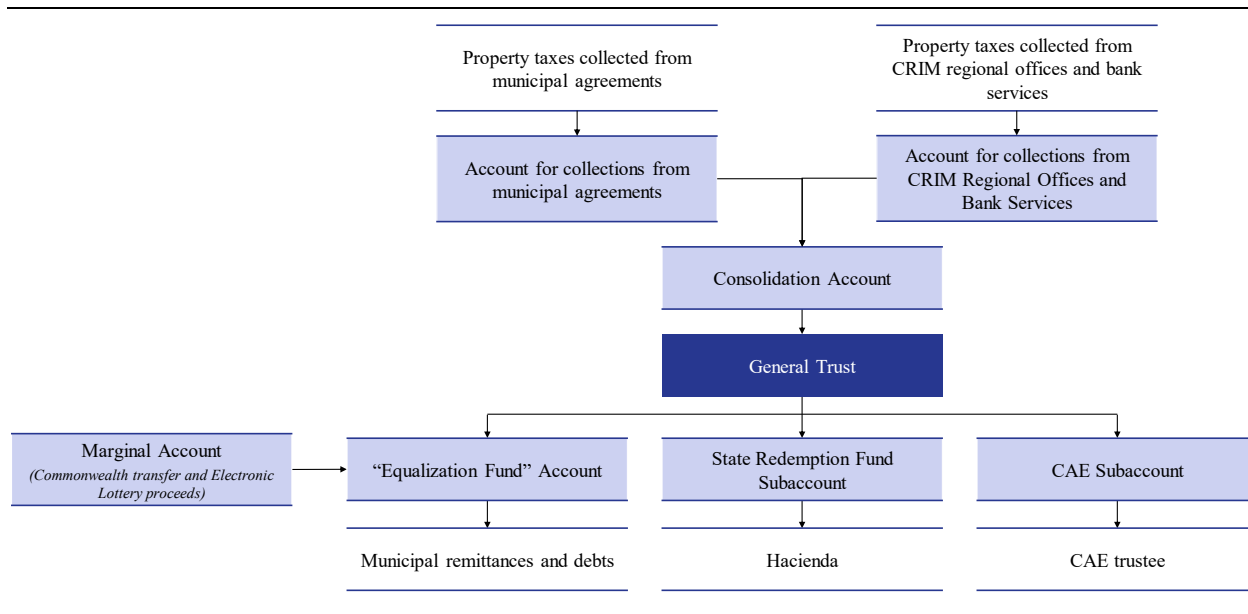
These tax collections are deposited in two bank accounts at a local banking institution, depending on how the taxes were collected. Taxes collected by the Municipalities that have collaborative agreements with the agency are deposited into one account, while all other collections, including taxes collected from bank services and CRIM's central and regional offices, are deposited in the second account. The bank consolidates the funds from the two accounts in an intermediary pass-through account and transfers the full amount to a General Trust account. The General Trust account is an account under the trust established by AAFAF, as trustee, and CRIM, as settlor, pursuant to the terms of Deed No. 58 of Amendment and Restatement of Trust executed on November 29, 2018.

The General Trust account holds CAE tax, State Redemption Fund tax, and basic tax collection. Before the beginning of the Fiscal Year, CRIM, as settlor, and AAFAF, as trustee of the General Fund, inform the bank, the custodian of the account, how the funds will be distributed (i.e., 53% basic tax, 11% State Redemption tax, 36% CAE tax). The bank then distributes the funds according to the calculated distribution percentages into the corresponding account. CAE tax collections are deposited into the CAE tax subaccount at the end of the month, and State Redemption taxes are deposited into the State Redemption Fund subaccount, as instructed. CRIM must deposit the State Redemption taxes into the corresponding sub-account at least once a quarter. As per the Deed of Trust, CRIM requires trustee authorization for any transaction of funds in the Trust, which ensures that tax collections are not diverted from their original statutory use.

Basic tax collections are transferred from the General Trust account to the "Equalization Fund" account daily. CRIM must complete a year-end reconciliation to ensure that each fund receives its corresponding amounts based on actual property tax collections. The Equalization Fund account also receives funds from Hacienda from a marginal account, including the Commonwealth transfer and the electronic lottery proceeds.

**Exhibit 30** illustrates the current flow of funds.

Exhibit 30: Flow of Funds Overview



Historically, CRIM has experienced issues with the Municipalities not depositing the property tax payments promptly. Some municipalities wait until they have accumulated a reasonable number of payments before making the deposit. To ensure that all property tax payments are deposited promptly, CRIM must establish a policy with the Municipalities detailing a clear timeline of when the Municipalities must deposit all property tax collections. The policy should require that the deposit of any property tax collection by the Municipalities shall be made no later than five (5) business days after its receipt. This policy must also detail all the information and data that the Municipalities must submit to CRIM for corroboration and payment validation. CRIM indicated that the Municipalities often send CRIM incomplete or incorrect cadaster numbers when submitting payment information. As a result, CRIM may not be able to post the payment promptly as it must conduct additional due diligence to validate which property the payment belongs to. To help mitigate this issue, CRIM must ensure that all the Municipalities have access to its new billing system, “CRIM 360.” This will allow the Municipalities that are collecting property taxes on behalf of CRIM to validate the cadaster number virtually before accepting any payments and will help improve the accuracy of the data being submitted by the Municipalities. CRIM has indicated that they expect that the roll-out of the new systems, including CRIM 360, will facilitate and expedite the validation and reconciliation of payments deposited by the Municipalities.

In addition to the accounts described above, CRIM also has 13 other active bank accounts used to collect operating revenues, pay for operating expenses (including payroll), and pay debts on behalf of the Municipalities. To increase transparency, CRIM must provide the Oversight Board with quarterly reports on all its bank accounts' balances. CRIM must notify the Oversight Board of any account closing or opening and provide all the necessary documentation relating to restrictions on that new account, if any, and the sources and uses of funds.

## Part IV. Fiscal Plan Baseline Forecast

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### Chapter 11. Methodologies and Assumptions

Generally, property taxes are not significantly correlated with the underlying economic trends of the Commonwealth.

For FY2022, CRIM is projecting \$1,079 million in property taxes based on the unadjusted three-year average of property tax collections from FY2018 to FY2020. For the remainder of the forecasted period, both real and personal property taxes are projected using demographic and economic variables at the municipality level, aligned with the certified Commonwealth Fiscal Plan.

Economic variables include total employment and employment detail by major industry sector (at the 2-digit NAICS level) for each municipality. This Fiscal Plan projects employment levels will recover from the pandemic and the associated economic lockdowns by FY2022. Employment levels are projected to continue to grow over the forecasted period based on historical trends of full-time and part-time employment before the pandemic and adjusted for other macro-economic assumptions. Similarly, the median income is also forecasted at a municipal level based on the personal income per capita forecasted for the Commonwealth and the historical variations in the Municipalities' income level. This Fiscal Plan projects median income to normalize by FY2022 after the federal stimulus and expanded unemployment benefits expire and is projected to continue to grow over the forecasted period. Finally, the population is projected to decline over the forecasted period, per the certified Commonwealth Fiscal Plan, with some municipalities experiencing greater outmigration. Other demographic indicators include population density and total housing units as a function of the population.

Additional assumptions relied upon in the Fiscal Plan are further detailed in **Exhibits 31 and 32**. The resulting forecasts are presented in **Exhibits 33 and 34**. The Fiscal Plan targets include measures that are incremental to these baseline projections. These measures are further discussed in **Part V: Measures**.

### Exhibit 31: Detailed Assumptions Excluding CRIM Operating Revenues

Line Item	Assumption
<b>Sources</b>	
<b>Central Government Transfers</b>	<ul style="list-style-type: none"> <li>Commonwealth transfer – base of \$220m per year declining in line with certified Commonwealth Fiscal Plan reduction of municipal subsidy, phased out by FY2025</li> <li>Electronic Lottery - \$45.9 million in FY2022, grown annually at nominal GNP growth rate</li> </ul>
<b>Uses</b>	
<b>Advances to Municipalities</b>	<ul style="list-style-type: none"> <li>Residual revenues once all other expenses have been disbursed</li> </ul>
<b>State Redemption Fund</b>	<ul style="list-style-type: none"> <li>Pass through portion of property tax collections based on State Redemption Fund tax rate</li> </ul>
<b>CAE Fund</b>	<ul style="list-style-type: none"> <li>Pass through portion of property tax collections based on CAE tax rate</li> </ul>
<b>Net Interest Expense</b>	<ul style="list-style-type: none"> <li>Forecasted at \$4 million per year based on a historical run rate. CRIM pays interest on behalf of the Municipalities</li> </ul>
<b>Adjustments</b>	<ul style="list-style-type: none"> <li>Forecasted based on historical statutory debt payments of GDB loans; FY2022 is based on debt payment projections provided by CRIM</li> </ul>
<b>CRIM Property Tax Admin Fee</b>	<ul style="list-style-type: none"> <li>5% of basic municipal contributions</li> </ul>

### Exhibit 32: CRIM Operating Revenues Detailed Assumptions

Line Item	Assumption
<b>Inflows</b>	
<b>CRIM Property Tax Admin Fee</b>	<ul style="list-style-type: none"> <li>5% of basic municipal contributions</li> </ul>
<b>Sales of Certifications and Maps</b>	<ul style="list-style-type: none"> <li>FY2022 projection is based on historical run rate, grown annually at nominal GNP growth rate</li> </ul>
<b>Service Charges to Banks</b>	<ul style="list-style-type: none"> <li>FY2022 projection is based on historical run rate, grown annually at nominal GNP growth rate</li> </ul>
<b>Interest and Miscellaneous Income</b>	<ul style="list-style-type: none"> <li>FY2022 projection is based on historical run rate, grown annually at nominal GNP growth rate</li> </ul>
<b>Rental Income</b>	<ul style="list-style-type: none"> <li>Based on actual existing contracts</li> </ul>
<b>Federal Grants</b>	<ul style="list-style-type: none"> <li>No federal grants are assumed during the forecast period</li> </ul>



### Exhibit 33: Baseline Forecast Excluding CRIM Operations

(\$ in thousands)

	Forecast				
	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Revenues:</b>					
Real Property Taxes	663,189	674,029	688,765	701,709	710,775
Personal Property Taxes	415,614	416,800	426,603	435,461	439,766
Central Government Transfers	133,804	89,704	90,048	47,018	48,035
<b>Total Revenues</b>	<b>\$1,212,608</b>	<b>\$1,180,532</b>	<b>\$1,205,416</b>	<b>\$1,184,188</b>	<b>\$1,198,576</b>
<b>Expenses:</b>					
Advances to Municipalities	(664,847)	(626,986)	(639,691)	(607,632)	(615,470)
State Redemption Fund	(115,747)	(116,947)	(119,583)	(121,930)	(123,340)
CAE Fund	(388,333)	(392,456)	(401,346)	(409,254)	(414,034)
Net Interest Expense	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Adjustments	(10,945)	(11,073)	(11,073)	(11,073)	(11,073)
CRIM Property Taxes Administrative Fees	(28,736)	(29,071)	(29,722)	(30,299)	(30,658)
<b>Total Expenses</b>	<b>(\$1,212,608)</b>	<b>(\$1,180,532)</b>	<b>(\$1,205,416)</b>	<b>(\$1,184,188)</b>	<b>(\$1,198,576)</b>

### Exhibit 34: Baseline CRIM Operations Forecast

(\$ in thousands)

	Forecast				
	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Operating Revenues:</b>					
Property taxes administrative fees	28,736	29,071	29,722	30,299	30,658
Sales of certifications and maps	650	648	653	666	680
Service charges to banks	924	921	928	946	967
Interest and miscellaneous income	65	65	65	67	68
Rental Income	203	-	-	-	-
Federal Grants	-	-	-	-	-
<b>Total Revenues</b>	<b>\$30,578</b>	<b>\$30,705</b>	<b>\$31,368</b>	<b>\$31,978</b>	<b>\$32,373</b>
<b>Operating Expenses:</b>					
Regular salary	(14,171)	(14,171)	(14,171)	(14,171)	(14,171)
Additional personnel salary	(180)	(1,485)	(2,160)	(2,160)	(2,160)
PayGo	(5,058)	(4,756)	(4,731)	(4,697)	(4,650)
Healthcare contribution	(704)	(758)	(786)	(786)	(786)
Other employer contribution	(1,728)	(1,751)	(1,776)	(1,803)	(1,830)
Christmas bonus	-	-	-	-	-
Non-payroll operating expenses	(8,738)	(7,784)	(7,744)	(8,361)	(8,777)
<b>Total Expenses</b>	<b>(\$30,578)</b>	<b>(\$30,705)</b>	<b>(\$31,368)</b>	<b>(\$31,978)</b>	<b>(\$32,373)</b>

## Part V. Measures

In June 2019, CRIM assessed its current operations to identify improvement initiatives to maximize collection rates and compliance. Additional agency efficiency measures will be adopted to be compliant with the certified Commonwealth Fiscal Plan. The adoption and successful implementation of these measures, summarized in **Exhibit 35** and detailed in the following pages, are instrumental in achieving the targets outlined in this Fiscal Plan, which are incremental to the baseline forecast.

### Exhibit 35: Fiscal Plan Measures Forecast

*(\$ in thousands)*

Measures	Forecast					
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Sale of A/R	-	400,000	-	-	-	-
Incorrect mailing addresses	44,400	66,700	88,900	88,900	88,900	88,900
Properties new to the tax rolls	-	80,600	107,400	107,400	107,400	107,400
Current year real property tax collection rates	13,800	27,600	41,400	55,200	69,000	69,000
Home improvements new to the tax rolls	-	28,200	42,300	56,400	56,400	56,400
FY2019 and FY2020 A/R	22,400	22,400	-	-	-	-
Non-appraised properties	-	1,500	6,200	6,200	6,200	6,200
Swimming pools new to the tax rolls	-	1,100	1,600	2,100	2,100	2,100
Personal property self-reporting compliance	-	-	-	-	-	-
Operational and organizational initiatives	-	-	-	-	-	-
Agency efficiencies	-	-	-	-	-	-
Structural changes to the property tax system	-	-	-	-	-	-
Comprehensive property tax registry	-	-	-	-	-	-
<b>Total Revenue (Baseline + Measures)</b>	<b>\$80,600</b>	<b>\$628,100</b>	<b>\$287,800</b>	<b>\$316,200</b>	<b>\$330,000</b>	<b>\$330,000</b>

Collections are a function of the size of the tax base and the subsequent collection rate. The measures CRIM identified focus primarily on increasing the size of the tax base either by appraising backlogged properties or adding new properties and home improvements to the tax rolls. Additionally, a key challenge will be the improvement of collection rates, as described in more detail below. Data sharing with the Municipalities, other government agencies, and the Oversight Board through the data warehouse should improve compliance and increase collection rates.

## Chapter 12. CRIM Measures

CRIM's goal is to improve compliance to increase the collection of real property and personal property taxes to maximize the Municipalities' revenues and increase its administrative fees. The measures identified in this Fiscal Plan will increase total property tax collections, which means that CAE tax collection and State Redemption Fund tax collections will also increase if these measures are successfully implemented.

Most of the Fiscal Plan measures include a phase-in period to allow CRIM to validate the virtually appraised property values and home improvements and confirm ownership and contact information before billing. This is vital to ensure the successful implementation of the measures and achieve the collection rates outlined in this Fiscal Plan. Similarly, this will allow CRIM to

promptly address any taxpayers' claims to avoid any backlog. This phase-in approach will also allow CRIM to identify any issues and continue to improve as it sends new batches of invoices.

## 12.1. Accounts Receivable Portfolio

CRIM and AAFAF have been working since July 2020 to retain expert services to support the valuation of the property tax debt and associated tax liens. On August 17, 2020, CRIM and AAFAF issued a request for proposals (“RFP”), responses to which were due on August 28, 2020. Three (3) proposals were received. After reviewing the proposals, CRIM and AAFAF requested additional information on the methodology and approach that the candidates would use to ensure an acceptable confidence level in the data, assuming data validation and clean-up were required in the initial phase of the work. Therefore, an addendum to the RFP was issued on November 5, 2020. By November 13, 2020, the three (3) proponents submitted their responses to the addendum, explaining their proposed methodologies and adjusting their proposed fee structures to reflect the incremental work. As of April 2021, CRIM and AAFAF have not formally engaged the third-party expert to support the data validation and valuation of the portfolio, which is almost five (5) months delayed from the November 1, 2020 deadline set forth in the 2020 CRIM Fiscal Plan.

The data validation and clean-up are expected to take approximately three (3) months. Once the data validation is complete, the portfolio valuation will take approximately five (5) months. CRIM and AAFAF will receive a valuation report by the end of the second quarter of FY2022 and must sell the A/R portfolio by the end of FY2022. In 2019, CRIM worked with another third-party vendor to evaluate the A/R portfolio and provide a final valuation report by January 2020. However, this contract was canceled, and no valuation report was received.

As stated above, the net A/R balance as of FY2020 was approximately \$720 million, including interest, penalties, and discounts. This was an increase of approximately \$60 million compared to the net balance of \$660 million in FY2019. CRIM must collect the less aged receivables internally and must sell the older A/R portfolio. Therefore, based on the net balance of FY2019, this Fiscal Plan estimates the sale proceeds of the A/R portfolio to be approximately \$400 million when factoring in additional discounts and fees. Similarly, in 2017, CRIM received an offer from a third party to purchase the portfolio for \$400 million, which further supports the estimate. This sale was not consummated but further supports the projected sale proceeds. However, the final valuation of the A/R portfolio will be based on the valuation report submitted by the third-party expert. The breakdown of the net portfolio balance between base tax, CAE tax, and State Redemption Fund tax will be based on the applicable tax rates established by each municipality.

A conservative incremental tax revenue of \$400 million has been projected in this Fiscal Plan. This is a one-time revenue source and is only projected to occur in FY2022.

12.2. Incorrect Mailing Addresses

CRIM has identified 197,782 incorrect mailing addresses in its billing system, as detailed in **Appendix 19**. Historically, the owners of the properties with incorrect mailing addresses have not been invoiced by CRIM and have not paid their property taxes. Therefore, CRIM must fix the mailing addresses in the billing system to ensure all property owners receive the invoices promptly and pay their fair share of taxes, which will improve compliance and increase property tax revenue.

In FY2020, CRIM began collaborating with PRASA to compare the addresses in CRIM’s billing system with those in PRASA’s database to increase the accuracy of the billing information. As a result of these efforts, as of March 2021, CRIM has reviewed 137,119 incorrect mailing addresses. In FY2021, CRIM corroborated and fixed 45,419 addresses in the billing system and sent the invoices to the corresponding property owners. CRIM must continue to corroborate and fix the remaining addresses in the billing system. As shown in **Exhibit 36**, CRIM must invoice the cumulative 75% of the recently corrected mailing addresses by July 2021 and the cumulative 100% by July 2022.

Exhibit 36: Timeline for Incorrect Mailing Addresses

	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice cumulative 75%	● July 2021							
Invoice cumulative 100%					● July 2022			

Assuming an 80% collection rate<sup>17</sup> and based on each account's location and the average net taxable value in each municipality, the agency estimates a tax increase of approximately \$88.9 million a year once this measure is fully implemented. The estimated potential tax revenue is \$66.7 million in FY2022, and \$88.9 million each year after that, enabling the achievement of the fiscal targets in this Fiscal Plan and improving fiscal governance and accountability. CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is being achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers.

In addition, CRIM must also establish MOUs with other government agencies to begin sharing information to corroborate and fix the remaining mailing addresses in CRIM’s billing system and ensure all ownership and contact information in CRIM’s tax rolls are accurate. CRIM must also work with the Municipalities to validate any incorrect mailing address or ownership information that cannot be corroborated through other government agencies' databases.

There are no incremental costs associated with this initiative, as it is currently budgeted as part of the data warehouse project. While updating billing address issues will likely generate additional revenue, not all accounts may generate property tax revenue because of exemptions, exonerations, and other factors, impacting these estimates.

<sup>17</sup> 80% collection rate assumed in these measures is based on historical collection rates of current and prior year taxes.

### 12.3. Properties New to the Tax Roll

Through the Planimetric Project, CRIM identified 239,525 new properties that were not registered in the tax rolls and were not being invoiced by CRIM. CRIM has identified six (6) unique scenarios for the properties new to tax rolls, as detailed in **Exhibit 37**.

Exhibit 37: Properties New to Tax Rolls Scenarios

Type	Appraised Land	Appraised Structure(s)
Land	No	-
Land and 1 Structure	No	No
Land and 1 Structure	Yes	No
Land and 1 Structure	No	Yes
Land and 2+ Structures	No	No
Land and 2+ Structures	Yes	No

As of March 2021, CRIM has virtually appraised all the new properties and has identified ownership and contact information for these properties by leveraging the data exchange efforts with PRASA. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$134.3 million. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$107.4 million once all the new properties are invoiced. **Appendix 19** identifies the estimated incremental annual tax collection by municipality. As noted above, the billing of these new properties will happen in phases to give CRIM enough time to validate the virtually appraised values and confirm ownership and contact information before billing.

Due to the delay in implementing the new enterprise resource planning (“ERP”) system, CRIM did not invoice the initial 25% of new properties in FY2021, as required by the 2020 CRIM Fiscal Plan. CRIM must implement all new systems by the first quarter of FY2022 and bill the cumulative 75% of new properties in FY2022. This will allow CRIM to recover from the minor delay and to achieve the targets outlined in the 2020 CRIM Fiscal Plan and this Fiscal Plan.

As shown in **Exhibit 38**, CRIM must invoice the initial 25% of new properties by August 2021, the cumulative 50% of new properties by October 2021, and the cumulative 75% of new properties by March 2022, resulting in incremental tax collections of approximately \$80.6 million in FY2022. CRIM must invoice a cumulative 100% of the new properties by FY2023. This Fiscal Plan projects incremental tax collections of approximately \$107.4 million in FY2023 and each year after that.

Exhibit 38: Timeline for New Properties

	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	●	Aug. 2021						
Invoice cumulative 50%		●	Oct. 2021					
Invoice cumulative 75%				●	Mar. 2022			
Invoice cumulative 100%					●	Aug. 2022		

Collection of tax revenues from the owners of these newly identified properties will enable the achievement of the fiscal targets contained in this Fiscal Plan and improve fiscal governance by ensuring that all taxable properties are taxed. CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is being achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers.

During FY2021, CRIM developed a standardized procedure and established a dedicated team to facilitate and expedite any taxpayers' claims. This will ensure that any complaints that the taxpayers may have with the appraised values are promptly resolved. There are no incremental costs associated with this measure as any claims will be processed by existing personnel.

Furthermore, under the Municipal Code, CRIM may collect up to five (5) years of back taxes, which, if implemented, will generate additional revenue. Any retroactive tax collections are incremental to this Fiscal Plan. The Municipal Code establishes the requirement to levy and collect real property taxes retroactive for five (5) years from the date the assessment is complete. However, under the Municipal Code, if taxpayers submit a self-appraisal completed by an authorized appraiser on or before June 30, 2021, with respect to existing property or, after that date, within six (6) months after the acquisition of the property or after a new construction, the retroactive billing is reduced to three (3) years. This is meant to incentivize taxpayers to appraise their new properties and home improvements promptly. Due to this provision in the Municipal Code, CRIM delayed the billing of the initial 25% of new properties to September 2021 to allow taxpayers to submit self-appraisal by the deadline established in the Municipal Code. CRIM indicated that having both initiatives occurring in parallel would have created duplicity in billing efforts, and taxpayers would have incurred unnecessary expenses in hiring an appraiser while also receiving a virtual appraisal bill.

12.4. Current Year Real Property Tax Collection Rates

Historically, CRIM only collects approximately 67.7% of the current year's real property tax billings. By analyzing a set of comparable jurisdictions that experienced economic decline and/or financial distress, CRIM must target an improvement of 840 basis points (8.4%), the average of the noted five-year improvement in **Exhibit 39**.

Exhibit 39: Benchmark Current Year Collection Rate Improvement

Jurisdiction	Collection Rates		5 Year Improvement
	Recent Minimum	5 Years Later	
Detroit	68.3%	82.0%	13.7%
Cleveland	76.9%	90.2%	13.4%
St. Louis	88.2%	92.1%	3.9%
Harrisburg	83.5%	85.9%	2.5%
Toledo	86.4%	87.4%	1.0%
Philadelphia	79.5%	93.5%	14.0%
Washington D.C.	83.7%	98.5%	14.8%
Flint	65.4%	69.2%	3.8%
<b>Average</b>	79.0%	87.4%	8.4%
<b>Median</b>	81.5%	88.8%	8.6%

If this benchmark is met, collection of current year real property tax billings will improve to approximately 76.0% by the end of the forecast period, resulting in a potential \$69.0 million per year of additional collections, as shown in **Exhibit 40**, enabling the achievement of the fiscal targets contained in this Fiscal Plan. It will take Puerto Rico several years to realize the full benefit of this measure. Therefore, the benefit was ramped into the projections with an estimated total incremental revenue of \$13.8 million in FY2021, \$27.6 million in FY2022, \$41.4 million in FY2023, \$55.2 million in FY2024, and \$69.0 million in FY2025 and each year after that.

Exhibit 40: Targeted Puerto Rico Current Year Collection Rate Improvement

(Dollars in millions)

Targeted Real Property Collection Rate Improvement	
FY2019 Real Property Billings	\$824.9
FY2019 Real Property Current Year Collections	558.3
<b>Collection Rate</b>	<b>67.7%</b>
5 Year Comparable Improvements	8.4%
Adjusted Collection Rate	76.0%
<b>Adjusted Collections</b>	<b>627.3</b>
<b>Incremental Tax Collection</b>	<b>\$69.0</b>

Since FY2020, CRIM has been working on implementing various operational and technological initiatives to improve collection rates. The integration of the different systems will allow CRIM to have better visibility into delinquent taxpayers on a more real-time basis. CRIM must leverage its regional offices and call center to follow up with taxpayers to ensure they are paying their fair share of taxes, as required by law. In addition, CRIM must work closely with the Municipalities to enforce collections, including through embargoes and foreclosures.

However, it may also be necessary to hire additional collectors to improve real property current year collections by 8.4%, as required by this measure. The cost of additional staff is covered through reinvestment from the agency efficiency measures noted below.

### 12.5. Home Improvements New to the Tax Roll

Through the Planimetric Project, CRIM identified 517,824 properties that appear to have been substantially improved; however, the value of these improvements was not reflected on the tax rolls. As of March 2021, CRIM has virtually appraised all the home improvements. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$70.5 million. **Appendix 19** identifies the estimated value by municipality. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$56.4 million once all the new home improvements are invoiced. As noted above, the billing of these new home improvements will happen in phases to give CRIM enough time to validate the virtually appraised values before billing.

Due to the delay in implementing the ERP system, CRIM did not invoice the initial 25% of new home improvements in FY2021, as required by the 2020 CRIM Fiscal Plan. CRIM must implement all new systems by the first quarter of FY2022 and bill the cumulative 50% of new home improvements in FY2022. This will allow CRIM to recover from the minor delay and to achieve the targets outlined in the 2020 CRIM Fiscal Plan and this Fiscal Plan.

As shown in **Exhibit 41**, CRIM must invoice the initial 25% of new home improvements by September 2021 and the cumulative 50% of new home improvements by February 2022, resulting in incremental tax collections of approximately \$28.2 million in FY2022. CRIM must invoice a cumulative 75% of the new home improvements in FY2023 and a cumulative 100% in FY2024. This Fiscal Plan projects incremental tax collections of approximately \$42.3 million in FY2023 and \$56.4 million in FY2024 and each year after that.

Exhibit 41: Timeline for New Home Improvements

	FY2022				FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	●	Sept. 2021										
Invoice cumulative 50%			●	Feb. 2022								
Invoice cumulative 75%					●	Aug. 2022						
Invoice cumulative 100%									●	Aug. 2023		



Collection of tax revenues from the owners of these properties with newly identified home improvements will enable the achievement of the fiscal targets in this Fiscal Plan. It will improve fiscal governance by ensuring that all properties in the tax rolls accurately reflect their taxable value. CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is being achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers.

During FY2020, CRIM developed a standardized procedure and established a dedicated team to facilitate and expedite any taxpayers' claims. This will ensure that any complaints that the taxpayers may have with the appraised values are promptly resolved. There are no incremental costs associated with this measure as any claims will be processed by existing personnel.

## 12.6. FY2019 and FY2020 Accounts Receivables

CRIM is implementing a new billing system that will increase visibility into delinquent tax accounts and improve CRIM's fiscal governance and accountability. This new billing system, combined with the improved collection efforts achieved as part of this Fiscal Plan, will ensure that CRIM promptly collects the delinquent taxes and manages its A/R build-up.

In FY2021, CRIM focused on collecting less aged receivables, and therefore more likely to be collected. CRIM identified \$56.0 million in tax revenue, represented by 32,963 taxpayers who paid taxes in FY2016 and FY2017 but not FY2019. At an estimated collection rate of 80%, the projected tax revenue is approximately \$44.8 million. CRIM must collect the initial 50% of the FY2019 A/R in FY2021 and the cumulative 100% in FY2022. This Fiscal Plan estimates incremental tax collections of approximately \$22.4 million in both FY2021 and FY2022. CRIM has indicated it is on track to collect the initial \$22.4 million in FY2021. The agency must submit all required documentation to the Oversight Board confirming that the initial \$22.4 million has been collected by no later than the first quarter of FY2022. There are no incremental costs associated with this initiative as CRIM is using existing personnel to enforce collection.

Similarly, CRIM must leverage its existing personnel to identify the taxpayers who paid property taxes in the past but did not pay their corresponding taxes in FY2020. CRIM must leverage its regional offices and call center and work closely with Municipalities to follow up with these taxpayers to collect the delinquent taxes. At this time, it is unclear what the incremental tax revenue of these efforts would be.

## 12.7. Non-Appraised Properties

There are currently 17,505 properties in CRIM's tax rolls that have not been appraised. As a result, even though these properties are included in the tax rolls, they are currently not paying taxes. CRIM must appraise and tax these properties to improve CRIM's fiscal governance and accountability and ensure CRIM meets the fiscal targets contained in this Fiscal Plan. **Appendix 19** provides municipal level detail of the non-appraised properties.

Assuming an 80% collection rate and based on the location of these non-appraised properties and the average net taxable value in each municipality, CRIM estimates a potential \$6.2 million per year from this initiative once all properties are appraised. As shown in **Exhibit 42**, CRIM must appraise the initial 25% of the backlogged properties by the end of FY2021 and invoice these properties by August 2021 for FY2022 collections. Similarly, CRIM must appraise the cumulative 100% of the backlogged properties by the end of FY2022 and invoice these properties by August 2022 for FY2023 collections. This Fiscal Plan estimates a net tax increase of \$1.5 million in FY2022 and \$6.2 million in FY2023 and thereafter.

Exhibit 42: Timeline for Non-appraised Properties

	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	● Aug. 2021							
Invoice cumulative 100%					● Aug. 2022			

CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is being achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers. There are no incremental costs associated with this initiative as CRIM will use existing appraisers and the recently launched SKALA II system to complete all backlogged appraisals. CRIM has deployed mobile tablets to appraisers to improve efficiencies while working on the field.

As noted above, CRIM’s 118 appraisal-focused employees average 2.3 times more parcels than the national average, resulting in appraisal backlogs. CRIM’s FY2021 certified Budget includes \$1.2 million to hire 61 additional appraisers, which would place CRIM closer to the national average of appraisers per parcel. However, as of March 2021, CRIM has not hired any new appraisers and has indicated that due to SKALA II's ongoing roll-out, which will facilitate virtual appraisals, especially for residential properties, CRIM might not need to hire the required number of new appraisers. Therefore, CRIM must complete a detailed staffing need analysis and hire the necessary number of appraisers to ensure that all properties, including residential, commercial, and industrial, are promptly appraised in the future. To offset costs associated with hiring additional appraisers, CRIM must use the savings from the Agency Efficiencies measure.

## 12.8. Swimming Pools New to the Tax Roll

Through the Planimetric Project, CRIM identified 25,951 new swimming pools that were not reflected on the tax rolls. As of March 2021, CRIM has virtually appraised all the new swimming pools. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$2.6 million. **Appendix 19** provides municipal level detail of new swimming pools by municipality. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$2.1 million once all the new pools are invoiced. As noted above, the billing of these new swimming pools will happen in phases to give CRIM enough time to validate the virtually appraised values for these new properties before billing.

Due to the delay in implementing the ERP system, CRIM did not invoice the initial 25% of new swimming pools in FY2021, as required by the 2020 CRIM Fiscal Plan. CRIM must implement all new systems by the first quarter of FY2022 and bill the cumulative 50% of new swimming pools in FY2022. This will allow CRIM to recover from the minor delay and to achieve the targets outlined in the 2020 CRIM Fiscal Plan and this Fiscal Plan.

As shown in **Exhibit 43**, CRIM must invoice the initial 25% of new swimming pools by August 2021 and the cumulative 50% of new swimming pools by February 2022, resulting in incremental tax collections of approximately \$1.1 million in FY2022. CRIM must invoice a cumulative 75% of the new swimming pools in FY2023 and a cumulative 100% of the new swimming pools by FY2024. This Fiscal Plan projects incremental tax collections of approximately \$1.6 million in FY2023 and \$2.1 million in FY2024 and each year after that. Collection of tax revenues from the owners of these properties with newly identified swimming pools will enable the achievement of the fiscal targets contained in this Fiscal Plan and improve fiscal governance by ensuring that all properties in the tax rolls accurately reflect their taxable value.

Exhibit 43: Timeline for New Swimming Pools

	FY2022				FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	●	Aug. 2021										
Invoice cumulative 50%			●	Feb. 2022								
Invoice cumulative 75%					●	Aug. 2022						
Invoice cumulative 100%									●	Aug. 2023		

CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is being achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with the Municipalities to follow up with delinquent taxpayers.

There are no incremental costs associated with this initiative as CRIM will use virtual appraisals and automatically send bills to the identified properties beginning in FY2022.

## 12.9. Personal Property Self-Reporting Compliance

Personal property is self-assessed by taxpayers annually, making compliance the key area of focus for improving revenue collection, as collection rates historically have been close to 100%. CRIM must continue to implement reforms to meaningfully simplify paying taxes through digitalization and work with Hacienda to address non-compliance and increase tax collections through data and analytics.

CRIM must establish a MOU with Hacienda, as allowed by the Municipal Code, to corroborate the value of the personal property self-reported to CRIM with what is reported to Hacienda by no later than the end of the first quarter FY2022. This will guarantee transparency, accountability, and fiscal governance across the government and will address potential delinquencies. CRIM

already established secure communication with Hacienda to share real property information. Therefore, CRIM and Hacienda should be able to safely share personal property information as soon as this MOU is signed. At this time, it is unclear how much additional personal property taxes could be captured through this initiative, as the level of personal property delinquency is not yet known. CRIM will track personal property billings and collections and report to the Oversight Board of any delinquencies it identifies through its collaboration with Hacienda.

## 12.10. Operational and Organizational Development Initiatives

Since the 2018 operational assessment, CRIM has been working to implement new initiatives mostly focused on integrating new systems and processes to improve its efficiency in collecting property taxes. These initiatives fall into two categories: operational improvements and organizational development.

### 12.10.1. Operational Improvements

Historically, some of the most critical areas that negatively affected CRIM's operations included obsolete hardware, outdated applications, and insufficient data bandwidth, resulting in inefficiencies and duplication of services. CRIM has addressed many of these issues and continues to roll out new applications to support appraisals, billings, and collections to maximize resource utilization, improve efficiencies, and increase property tax collections. The most critical systems improvements that CRIM must implement to improve fiscal accountability and transparency are detailed below:

#### **Data Warehouse**

A new data warehouse, which will serve as a central repository of information that was previously spread throughout several systems, was implemented and rolled out in FY2021. This data warehouse helps streamline the data sharing process and allows for increased data sharing with several entities, including the Municipalities, the Oversight Board, PRASA, and other governmental agencies. Through this portal, Municipalities will have access to important historical data on tax payments, delinquencies, and forecasts. Municipalities must leverage the information available in the Data Warehouse to support CRIM's efforts in improving compliance and increasing property tax collections.

Furthermore, data collaboration with other governmental entities and agencies will allow CRIM to continuously address data deficiencies that previously hindered its tax appraisal, billing, and collection efforts, including incorrect mailing addresses. CRIM must identify other government entities that they need to collaborate with on data sharing and establish MOUs to begin sharing this information safely and efficiently to improve fiscal transparency, accountability, and governance.

#### **Billing System**

CRIM's current billing system, known as HANSEN, is over 20 years old and has not been updated since 2007. CRIM is in the process of implementing and rolling out an enhanced enterprise ERP

system called “CRIM 360,” which will help integrate the different systems and portals used by the agency. Historically, many of these systems and portals were siloed from each other, which negatively impacted CRIM’s operating efficiency and overall property tax collections. It is expected that CRIM 360 will result in more precise reporting for a more efficient decision-making process.

CRIM 360’s ability to interface with the Data Warehouse will likely result in a more robust and efficient billing system that will reduce errors and omissions experienced with HANSEN. The implementation of CRIM 360 is a critical component in achieving the Fiscal Plan measures and must be fully integrated and operational by no later than September 2021.

### Appraisal System

CRIM’s appraisal system was replaced by SKALA I in October 2019, with phase two (“SKALA II”) scheduled to roll out in FY2022. This new appraisal system will help CRIM achieve operational efficiencies, and therefore the implementation of SKALA II must be completed by no later than September 2021.

SKALA II will allow for virtual appraisals by comparing a property's location to an appraisals database that relies on new geolocated data. This will reduce the time it takes for new appraisals from days to hours, as appraisals will be completed without doing a field visit. Therefore, this new system is expected to help reduce appraisal backlogs and facilitate future appraisals to ensure they are being completed promptly. In addition, the virtual appraisals are expected to result in operating cost savings for CRIM, especially around travel expenses such as mileage reimbursements, subsistence allowance, and parking and tolling. Similarly, SKALA II will also allow for a more efficient allocation of appraisal staff and will likely also be used by third-party appraisers given CRIM’s potential understaffing of its appraisal department. One limitation to SKALA II is that the virtual appraisals are limited to mostly residential properties, which means that most appraisals on commercial and industrial properties will need to be completed in person.

### 12.10.2. Organizational Development

Addressing employee performance is key to improving CRIM’s performance. CRIM implemented one initiative and is implementing two more to change CRIM’s culture towards one that is more data and performance-driven, which will better align with the organization’s strategy. **Exhibit 44** presents an overview of these organizational initiatives.

Exhibit 44: Organizational Development Initiatives

Areas	Initiatives	Timeframe
<b>Management Development</b>	Implementing a Supervisory and Leadership Academy for all employees with supervisory roles comprising eight (8) modules with varied topics	<b>Completed</b>
<b>Human Capital Management</b>	<ul style="list-style-type: none"> <li>A. Transforming HR from a transactional approach to a strategic and people approach, where the department becomes a business partner and its efforts are focused on the employees</li> <li>B. Implementing a new competency-based performance evaluation method</li> <li>C. Synchronizing all employee evaluation cycles during October</li> </ul>	<b>FYE 2022</b>

Areas	Initiatives	Timeframe
Quality Unit	Create a department of Quality Unit with the responsibility of detecting and measuring service deficiencies, streamlining processes, and monitoring oversight adherence to processes	FYE 2022

In addition to these initiatives, CRIM must complete an in-depth staffing analysis to determine their current staffing situation, forecast future staffing needs, and identify gaps. This staffing analysis will help determine the number of additional appraisers, collectors, and personnel that CRIM must hire to achieve the measures outlined in this Fiscal Plan, aiming to improve compliance and increase property tax collections.

### 12.11. Agency Efficiencies

To align with the agency efficiency measures identified in the certified Commonwealth Fiscal Plan and otherwise eliminate deficits and meet the fiscal targets contained in this Fiscal Plan, CRIM must: (1) standardize health insurance so that each employee receives a \$125 employer contribution per month towards the cost of health insurance or \$1,500 per year, or any other amount as established in the certified Commonwealth Fiscal Plan; (2) implement and maintain a payroll freeze throughout the Fiscal Plan forecast period; and (3) eliminate the 13<sup>th</sup> month payment.

The savings of these measures will be reinvested to hire additional appraisers, collectors, and other personnel, as informed by the staffing analysis, to help achieve these Fiscal Plan measures. CRIM must hire the initial 25% of the new employees by the end of FY2022, and a cumulative 100% of the new employees by the end of FY2023.

Additionally, CRIM’s PayGo obligation is projected to be approximately \$5.1 million for FY2022. Due to the pension cut taking effect in FY2023 per the certified Commonwealth Fiscal Plan, CRIM is expected to save approximately \$0.3 million in PayGo starting in FY2023. These funds will also be reinvested.

### 12.12. Structural Changes to the Property Tax System

In addition to the measures identified above, which mostly focus on increasing property tax collections by improving compliance, CRIM, the Municipalities, and the Government must work together to further analyze incremental structural changes that would modernize the current property tax system and would help the Municipalities achieve long-term fiscal sustainability.

In March 2019, the U.S. Department of the Treasury assessed Puerto Rico’s property tax system, at the request of Hacienda, against a set of criteria developed by economists and tax policy experts that should inform and guide effective tax design. The combined result is that the property tax in

Puerto Rico badly underperforms relative to its potential. Detailed criteria to guide the property tax system identified in the report are listed in **Appendix 20**.<sup>18</sup>

Similarly, on August 26, 2020, the Oversight Board issued a letter to the Government of Puerto Rico, under Section 205(a) of PROMESA, providing broad recommendations on the way the government can overhaul the Commonwealth's property tax system to improve its efficiency, effectiveness, and, ultimately, collections. Many of these recommendations are aligned with the recommendations issued by the U.S. Department of the Treasury.

The recommended reforms identified in the letter, many of which would require legislation, consider the following four categories of changes:

1. Reduce exemption and exonerations
  - a. CRIM must work with the Government, the Municipalities, and all appropriate agencies to conduct a detailed review of all current property tax exemption and exemptions, including those granted under Act 60-2019 to identify the parameters of such exonerations and exemptions and quantify the annual foregone revenue of each. This review should be completed to promote a comprehensive tax base and equal treatment of taxpayers
  - b. Once the detailed review is complete, the Government should repeal legislation authorizing current exemptions that are not justifiable under equity grounds and should establish a moratorium on the creation of new exemptions, considering a transition period for contractually agreed tax exemptions
  - c. The Government should develop and adopt formal policy guidance and regulations specifying the circumstances under which exemptions might be considered desirable, with the default position that all exemptions will be denied unless a compelling justification exists
2. Establish a market value basis for property valuation
  - a. Scenario 1: Refresh real property valuation approach to a “market-informed” system based on current market prices and construction methods
    - i. CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete an analysis to update the current cost/summation methodology used to value real property, which is currently based on outdated classifications and outdated pricing schedules that do not resemble the actual value of property improvements today
    - ii. The Government should pass legislation to revise quality and materials classification categories to reflect present construction

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<sup>18</sup> Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

- technologies/methods and establish construction cost schedules that reflect present-day construction/replacement costs
    - iii. Similarly, CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete an analysis to revise land valuation to reflect present-day market prices. A land value banding structure could be developed to classify land
    - iv. The Government should pass legislation to revise land valuation to, at a minimum, reflect market valuation banding
  - b. Scenario 2: Establish a true market value (transaction data) approach to property valuation
    - i. After refreshing real property valuation, as explained in Scenario 1 above, the Central Government should pass legislation to establish a mass appraisal process to revalue properties on a recurrent basis
    - ii. In addition, the Government should establish multiple methods for valuing improvements based on existing use and set land values equal to the market value of individual parcels of land
3. Levy appropriate property tax rates
- a. CRIM must work with the Government, the Municipalities, and all appropriate agencies to identify what the appropriate statutory and effective tax rates would be across the different property types to achieve the desired tax collection level and promote equity and fairness for all taxpayers
  - b. The Government should pass legislation to levy appropriate tax rates across all property types
4. As the Government modernizes the property tax system, it can use classification to transparently vary effective tax rates between residential, commercial, and industrial properties if such variation is justifiable. Instead of using exemptions and exonerations, effective tax rates can be adjusted across a broad category of property (to achieve explicit policy objectives) using differing assessment ratios or statutory tax rates based on the property type

These recommendations represent a pathway to a reformed tax system with a broader and more transparent base and lower statutory tax rates. They do not specify the specific parameters of a new property tax system. In designing such specifics, it will be important for the Government, CRIM, and the Municipalities to keep both efficiency and equity considerations in mind.

Finally, because of the interactions of the different features of the property tax system, including tax base and rates, multiple types of property being taxed, and tax burdens being shifted from those



who make the payments, the effects of the new system as a whole should be analyzed carefully and compared against the effects of the existing tax system.

Given that the implementation of some of these recommendations requires legislation, no incremental property tax projections for those recommendations have been included in the Fiscal Plan projections. Nevertheless, CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete all required analyses to serve as the foundation for determining the next steps, including: (1) a comprehensive review of current property tax exemptions and exonerations, (2) an analysis to update the current cost/summation methodology used to value real estate, (3) an analysis to revise land valuation to reflect present-day market prices, and (4) an analysis to identify the appropriate statutory and effective tax rates across the different property types to achieve the desired tax collection level.

### 12.13. Comprehensive Property Tax Registry

There is an ongoing initiative by the Commonwealth to streamline property registration to facilitate financial transactions and promote disaster preparedness. Accelerating property registration will ensure that all residents and businesses can quickly and reliably document property rights, which is crucial to day-to-day business operations and post-disaster recovery efforts. As it stands, Puerto Rico's current set of disjointed registries do not comprehensively map all land ownership, complicating Government disaster relief efforts. To empower residents and businesses to recover from future natural disasters and comply with U.S. Department of Housing and Urban Development ("HUD") guidelines for unlocking \$8.3 billion in Community Development Block Grant Mitigation ("CDBG-MIT") funds, reforms must also demonstrate meaningful progress in the creation of a uniform parcel registry that can be used to verify the ownership of properties across the Island.

As part of this initiative, CRIM must collaborate with other government agencies to form a working group to finalize the workplan to reform and streamline property registration. CRIM must ensure that the data in the Digital Cadaster is fully integrated into the comprehensive property tax registry by the end of FY2022. In addition, CRIM must update its tax roll to incorporate any new properties or updated ownership information identified by this initiative.

## Chapter 13. Measure Timeline and Reporting

Below is a proposed summary that details a timeline and certain assumptions as it relates to the implementation of the proposed CRIM measures, along with the estimated incremental tax revenues generated by these measures:

Exhibit 45: Action Items and Timing of Fiscal Plan Measures

Area of Focus	Description	Deadline
<b>1. Sale of A/R</b>	Retain experts for the valuation of the A/R portfolio	May 1, 2021
	Finalize data clean-up and validation	August 1, 2021
	Finalize A/R portfolio valuation report	January 1, 2022
	Identify buyers for the A/R portfolio	May 1, 2022
	Sell A/R portfolio	June 30, 2022
<b>2. Incorrect Mailing Addresses</b>	Corroborate and fix cumulative 75% of incorrect mailing addresses in the billing system	June 30, 2021
	Invoice cumulative 75% of incorrect mailing addresses (for FY2022 collections)	July 30, 2021
	Identify government agencies to share ownership and contact information with to update tax rolls	September 1, 2021
	Establish an MOU and begin sharing information with the government agencies	November 1, 2021
	Corroborate and fix cumulative 100% of incorrect mailing addresses in the billing system	June 30, 2022
	Invoice cumulative 100% of incorrect mailing addresses (for FY2023 collections)	July 30, 2022
<b>3. Properties new to the tax roll</b>	Validate appraised values and confirm ownership information for the initial 25% of new properties	August 1, 2021
	Invoice initial 25% of new properties (for FY2022 collections)	August 31, 2021
	Validate appraised values and confirm ownership information for cumulative 50% of new properties	October 1, 2021
	Invoice cumulative 50% of new properties (for FY2022 collections)	October 31, 2021
	Validate appraised values and confirm ownership information for cumulative 75% of new properties	March 1, 2022
	Invoice cumulative 75% of new properties (for FY2022 collections)	March 31, 2022
	Validate appraised values and confirm ownership information for cumulative 100% of new properties	August 1, 2022
	Invoice cumulative 100% of new properties (for FY2023 collections)	August 31, 2022

Area of Focus	Description	Deadline
<b>4. Current year real property tax collection rates</b>	Hire the initial 25% of additional collectors needed to assist with compliance efforts	June 30, 2022
	Hire a cumulative 100% of additional collectors needed to assist with compliance efforts	June 30, 2023
<b>5. Home improvements new to the tax roll</b>	Validate appraised values for the initial 25% of new home improvements	September 1, 2021
	Invoice initial 25% of new home improvements (for FY2022 collections)	September 30, 2021
	Validate appraised values for the cumulative 50% of new home improvements	February 1, 2022
	Invoice cumulative 50% of new home improvements (for FY2022 collections)	February 28, 2022
	Validate appraised values for the cumulative 75% of new home improvements	August 1, 2022
	Invoice cumulative 75% of new home improvements (for FY2023 collections)	August 31, 2022
	Validate appraised values for the cumulative 100% of new home improvements	August 1, 2023
	Invoice cumulative 100% of new home improvements (for FY2024 collections)	August 31, 2023
<b>6. FY2019 and FY2020 accounts receivables</b>	Collect initial 50% of outstanding FY2019 A/R	June 30, 2021
	Submit documentation validating the collection of the initial 50% of the FY2019 A/R	September 30, 2021
	Identify delinquent taxpayers that paid property taxes in the past but not in FY2020	January 1, 2022
	Collect cumulative 100% of outstanding FY2019 A/R	June 30, 2022
	Collect initial 25% of FY2020 A/R	June 30, 2022
	Collect cumulative 100% of outstanding FY2020 A/R	June 30, 2023
<b>7. Non-appraised properties</b>	Appraise the initial 25% of the backlogged properties	June 30, 2021
	Invoice initial 25% of backlogged properties (for FY2022 collections)	August 31, 2021
	Appraise cumulative 100% of the backlogged properties	June 30, 2022
	Invoice cumulative 100% of backlogged properties (for FY2023 collections)	August 31, 2022
<b>8. Swimming pools new to the tax roll</b>	Validate appraised values for the initial 25% of new swimming pools	August 1, 2021
	Invoice initial 25% of new swimming pools (for FY2022 collections)	August 31, 2021
	Validate appraised values for the cumulative 50% of new swimming pools	February 1, 2022

Area of Focus	Description	Deadline
	Invoice cumulative 50% of new swimming pools (for FY2022 collections)	February 28, 2022
	Validate appraised values for the cumulative 75% of new swimming pools	August 1, 2022
	Invoice cumulative 75% of new swimming pools (for FY2023 collections)	August 31, 2022
	Validate appraised values for the cumulative 100% of new swimming pools	August 1, 2023
	Invoice cumulative 100% of new swimming pools (for FY2024 collections)	August 31, 2023
<b>9. Personal property self-reporting compliance</b>	Establish an MOU between CRIM and Hacienda to share personal property information and begin sharing information	September 30, 2021
<b>10. Operational and organizational development initiatives</b>	Finalize the implementation and roll-out of SKALA II and the ERP system	September 30, 2021
	Complete staffing analysis to identify staffing needs	December 31, 2021
	Hire the initial 25% of the additional personnel needed to assist with compliance efforts	June 30, 2022
	Complete the human capital transformation	June 30, 2022
	Implement the Quality Unit	June 30, 2022
	Hire cumulative 100% of the additional personnel needed to assist with compliance efforts	June 30, 2023
<b>11. Agency efficiencies</b>	Eliminate 13th payment or identify alternative savings	July 1, 2021
	Align employer healthcare contributions with certified Commonwealth Fiscal Plan or identify alternative savings	July 1, 2021
	Implement payroll freeze	July 1, 2021
<b>12. Structural changes to the property tax system</b>	Complete the comprehensive review of current property tax exemptions and exonerations	January 1, 2022
	Complete an analysis to update the current cost/summation methodology used to value real estate	April 30, 2022
	Complete an analysis to revise land valuation to reflect present-day market prices	April 30, 2022
	Identify the appropriate statutory and effective tax rates across the different property types to achieve the desired tax collection level	June 30, 2022
<b>13. Comprehensive property tax registry</b>	Work with the Government to finalize workplan for reforming and streamlining property registration	July 31, 2021
	Fully integrate data from the Digital Cadaster to the comprehensive property tax registry	June 30, 2022

## Monitoring and Reporting

The fiscal and structural measures described in the Fiscal Plan represent a significant and transformative effort for CRIM and the Municipalities. There are strict reporting requirements needed to ensure these measures are being achieved on time and to identify any risks to address them at an early stage. To ensure that the fiscal targets in this Fiscal Plan are achieved, CRIM must produce monthly performance reports, which shall be submitted to the Oversight Board on the 20th of each month, demonstrating the progress made on all key measures. Progress realized must be displayed against the projections as set forth herein. **Exhibit 46** provides additional details for the reporting requirements.

Exhibit 46: Reporting Requirements

	Reporting requirements	Cadence for FOMB reporting	Reporting requirement source
<b>Budget-to-actuals reports and other reports</b>	A report detailing property tax collections (real vs. personal) by municipality and remittances paid	Monthly	Fiscal Plan
	A report detailing operating revenues and expenses versus projected budget	Monthly	Fiscal Plan
	Headcount and payroll, including fringe benefits expenses	Monthly	Fiscal Plan
	List of all professional services providers, as well as the estimated cost and duration for each contract	Monthly	Fiscal Plan
	A report detailing the work being done by the Municipalities as part of the Collaborative Agreements	Monthly	Fiscal Plan
	Bank account balances	Quarterly	Fiscal Plan
<b>Measures progress reports</b>	Sale of A/R	Monthly	Fiscal Plan
	Incorrect mailing addresses	Monthly	Fiscal Plan
	Properties new to the tax rolls	Monthly	Fiscal Plan
	Current year real property tax collection rates	Monthly	Fiscal Plan
	Home improvements new to the tax rolls	Monthly	Fiscal Plan
	FY2019 and FY2020 A/R	Monthly	Fiscal Plan
	Non-appraised properties	Monthly	Fiscal Plan
	Swimming pool new to the tax rolls	Monthly	Fiscal Plan
	Personal property self-reporting compliance	Monthly	Fiscal Plan
	Operational and organizational initiatives	Monthly	Fiscal Plan
	Agency efficiencies	Monthly	Fiscal Plan
	Structural changes to the property tax system	Monthly	Fiscal Plan
	Comprehensive property tax registry	Monthly	Fiscal Plan

Measures Progress reports must include: (a) monthly monitoring by each key performance indicator for each of the measures; (b) monthly self-reported realized revenues achieved year to date for each of the measures; and (c) implementation dashboard/tracker that provides the status of each measure. If, after any fiscal quarter, the projected progress for any measure is not realized, the Oversight Board may use any of its powers to correct the corresponding shortfall.

## Part VI. Forecast with Measures

Targets outlined in this Fiscal Plan are incremental to any baseline projections. The targets include improved collections and cost-savings achieved by the successful implementation of the Fiscal Plan measures. As identified in **Exhibit 47 and 48**, the measures' impact results in an estimated revenue increase of 7.4% to 58.2% from the base case for the projected period. These funds will be redistributed to municipalities according to the applicable law.

### Exhibit 47: Projected Property Tax Baseline and Measures

(\$ in millions)



### Exhibit 48: Projected Property Tax Baseline and Measures Breakdown

(\$ in millions)

	Forecast					
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Baseline Property Taxes</b>	<b>1,101.8</b>	<b>1,078.8</b>	<b>1,090.8</b>	<b>1,115.4</b>	<b>1,137.2</b>	<b>1,150.5</b>
<b>Measures</b>						
Sale of A/R	-	400.0	-	-	-	-
Incorrect mailing addresses	44.4	66.7	88.9	88.9	88.9	88.9
Properties new to the tax rolls	-	80.6	107.4	107.4	107.4	107.4
Current year real property tax collection rates	13.8	27.6	41.4	55.2	69.0	69.0
Home improvements new to the tax rolls	-	28.2	42.3	56.4	56.4	56.4
FY2019 and FY2020 A/R	22.4	22.4	-	-	-	-
Non-appraised properties	-	1.5	6.2	6.2	6.2	6.2
Swimming pools new to the tax rolls	-	1.1	1.6	2.1	2.1	2.1
Personal property self-reporting compliance	-	-	-	-	-	-
Operational and organizational initiatives	-	-	-	-	-	-
Agency efficiencies	-	-	-	-	-	-
Structural changes to the property tax system	-	-	-	-	-	-
Comprehensive property tax registry	-	-	-	-	-	-
<b>Total Measures</b>	<b>80.6</b>	<b>628.1</b>	<b>287.8</b>	<b>316.2</b>	<b>330.0</b>	<b>330.0</b>
<b>Total Revenue (Baseline + Measures)</b>	<b>\$1,182.4</b>	<b>\$1,706.9</b>	<b>\$1,378.6</b>	<b>\$1,431.6</b>	<b>\$1,467.2</b>	<b>\$1,480.5</b>

As mentioned above, the increase in property tax collections due to the measures will not be shared equally among the municipalities, as the municipalities with the highest number of properties will most likely be the ones that benefit the most. To ensure that the smaller municipalities also benefit from these measures and adequate funding is provided to essential services, CRIM must work closely with the municipalities, AAFAF, and the Oversight Board to investigate a funding strategy where the municipalities with the higher number of properties would contribute a portion of their collections to the Equalization Fund, which would be disbursed to the smaller municipalities. CRIM must submit a proposed funding strategy to the Oversight Board before the end of the second quarter of FY2022.

## Part VII. Appendix

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### Appendix 1: Commonwealth Support to Incentivize Municipal Service Consolidation

To further incentivize service consolidation, the 2020 Commonwealth Fiscal Plan established funds to assist the Municipalities to achieve fiscal sustainability. By consolidating services, Municipalities will be able to significantly reduce costs and generate additional revenues through economic development and other potential initiatives. Municipalities that voluntarily consolidate services will be eligible to receive a one-time financial incentive upon certification of such action by the Oversight Board. To fund this initiative, the 2020 Commonwealth Fiscal Plan set aside \$22 million in each fiscal year through FY2025 for distribution among Municipalities that complete service consolidations. The amount distributed to each participating municipality will be determined in coordination between AAFAF and the Oversight Board and is dependent on the savings or revenue generation achieved. The fund is expected to commence under AAFAF in the fourth quarter of FY2021. FY2021 funding not disbursed is authorized to rollover to FY2022. The annual funding commitment will be reviewed each year through FY2025 based on municipal participation in the fund. The 2020 Commonwealth Fiscal Plan otherwise maintained the overall approach of phasing-out the entirety of Commonwealth transfer, which will reach zero by FY2025 which furthers the imperative for municipalities to seek operational efficiencies and cost savings.



## Appendix 2: COVID-19 Local and Federal Aid Provided to Municipalities

(Dollars in actuals)

	Emergency Measure Support Package	CARES Act	ARP Act		Total Local and Federal Aid
	Allocation	Reimbursed	Allocation	Categorization	
<b>Total</b>	<b>\$100,050,000</b>	<b>\$200,000,003</b>	<b>\$949,826,288</b>		<b>\$1,249,876,291</b>
Adjuntas	1,000,000	1,065,520	1,669,273	Other Non-Counties	3,734,793
Aguada	1,350,000	2,251,810	3,527,750	Other Non-Counties	7,129,560
Aguadilla	1,750,000	3,084,625	22,347,226	Metro Cities	27,181,851
Aguas Buenas	1,000,000	1,522,767	2,385,610	Other Non-Counties	4,908,377
Aibonito	1,000,000	1,356,707	2,125,456	Other Non-Counties	4,482,163
Añasco	1,350,000	1,605,429	2,515,110	Other Non-Counties	5,470,539
Arecibo	1,750,000	5,030,029	34,019,657	Metro Cities	40,799,686
Arroyo	1,000,000	1,057,849	1,657,256	Other Non-Counties	3,715,105
Barceloneta	1,000,000	1,456,061	2,281,106	Other Non-Counties	4,737,167
Barranquitas	1,350,000	1,701,407	2,665,473	Other Non-Counties	5,716,880
Bayamon	1,750,000	10,387,572	55,516,943	Metro Cities	67,654,515
Cabo Rojo	1,350,000	2,915,865	21,900,145	Metro Cities	26,166,010
Caguas	1,750,000	7,646,728	43,960,127	Metro Cities	53,356,855
Camuy	1,350,000	1,871,946	2,932,645	Other Non-Counties	6,154,591
Canovanas	1,350,000	2,741,520	18,455,169	Metro Cities	22,546,689
Carolina	1,750,000	9,020,004	43,700,055	Metro Cities	54,470,059
Cataño	1,000,000	1,418,873	2,222,846	Other Non-Counties	4,641,719
Cayey	1,350,000	2,602,524	16,366,416	Metro Cities	20,318,940
Ceiba	1,000,000	1,000,000	1,048,307	Other Non-Counties	3,048,307
Ciales	1,000,000	1,000,000	1,519,776	Other Non-Counties	3,519,776
Cidra	1,350,000	2,350,795	14,911,080	Metro Cities	18,611,875
Coamo	1,350,000	2,352,576	3,685,611	Other Non-Counties	7,388,187
Comerio	1,000,000	1,144,376	1,792,813	Other Non-Counties	3,937,189
Corozal	1,350,000	1,981,732	3,104,639	Other Non-Counties	6,436,371
Culebra	1,000,000	1,000,001	164,783	Other Non-Counties	2,164,784
Dorado	1,350,000	2,217,874	3,474,584	Other Non-Counties	7,042,458
Fajardo	1,350,000	1,807,511	13,242,087	Metro Cities	16,399,598
Florida	1,000,000	1,000,000	1,088,013	Other Non-Counties	3,088,013
Guanica	1,000,000	1,000,000	1,478,917	Other Non-Counties	3,478,917
Guayama	1,350,000	2,421,858	17,583,891	Metro Cities	21,355,749
Guayanilla	1,000,000	1,081,476	1,694,270	Other Non-Counties	3,775,746
Guaynabo	1,750,000	5,138,157	22,394,564	Metro Cities	29,282,721
Gurabo	1,350,000	2,889,968	4,527,506	Other Non-Counties	8,767,474
Hatillo	1,350,000	2,406,701	3,770,406	Other Non-Counties	7,527,107
Hormigueros	1,000,000	1,000,000	1,491,896	Other Non-Counties	3,491,896
Humacao	1,750,000	3,108,435	21,695,138	Metro Cities	26,553,573
Isabela	1,350,000	2,480,648	18,386,767	Metro Cities	22,217,415
Jayuya	1,000,000	1,000,000	1,335,476	Other Non-Counties	3,335,476
Juana Diaz	1,350,000	2,741,828	18,320,783	Metro Cities	22,412,611

	Emergency Measure Support Package	CARES Act	ARP Act		Total Local and Federal Aid
	Allocation	Reimbursed	Allocation	Categorization	
<b>Total</b>	<b>\$100,050,000</b>	<b>\$200,000,003</b>	<b>\$949,826,288</b>		<b>\$1,249,876,291</b>
Juncos	1,350,000	2,341,467	3,668,210	Other Non-Counties	7,359,677
Lajas	1,000,000	1,350,693	2,116,034	Other Non-Counties	4,466,727
Lares	1,000,000	1,489,752	2,333,887	Other Non-Counties	4,823,639
Las Marias	1,000,000	1,000,000	762,099	Other Non-Counties	2,762,099
Las Piedras	1,350,000	2,271,017	3,557,841	Other Non-Counties	7,178,858
Loiza	1,000,000	1,506,751	2,360,518	Other Non-Counties	4,867,269
Luquillo	1,000,000	1,084,052	1,698,308	Other Non-Counties	3,782,360
Manati	1,350,000	2,288,200	18,149,529	Metro Cities	21,787,729
Maricao	1,000,000	1,000,000	522,038	Other Non-Counties	2,522,038
Maunabo	1,000,000	1,000,000	992,258	Other Non-Counties	2,992,258
Mayaguez	1,750,000	4,389,600	35,462,604	Metro Cities	41,602,204
Moca	1,350,000	2,141,165	3,354,410	Other Non-Counties	6,845,575
Morovis	1,350,000	1,861,576	2,916,397	Other Non-Counties	6,127,973
Naguabo	1,350,000	1,580,882	2,476,654	Other Non-Counties	5,407,536
Naranjito	1,350,000	1,678,333	2,629,324	Other Non-Counties	5,657,657
Orocovis	1,000,000	1,240,845	1,943,944	Other Non-Counties	4,184,789
Patillas	1,000,000	1,000,000	1,558,520	Other Non-Counties	3,558,520
Peñuelas	1,000,000	1,181,258	1,850,593	Other Non-Counties	4,031,851
Ponce	1,750,000	8,093,175	61,904,300	Metro Cities	71,747,475
Quebradillas	1,000,000	1,406,415	2,203,329	Other Non-Counties	4,609,744
Rincon	1,000,000	1,000,000	1,312,884	Other Non-Counties	3,312,884
Rio Grande	1,350,000	2,947,162	17,594,560	Metro Cities	21,891,722
Sabana Grande	1,000,000	1,332,406	2,087,385	Other Non-Counties	4,419,791
Salinas	1,350,000	1,664,771	2,608,077	Other Non-Counties	5,622,848
San German	1,350,000	1,854,947	16,987,870	Metro Cities	20,192,817
San Juan	1,750,000	19,541,848	183,849,446	Metro Cities	205,141,294
San Lorenzo	1,350,000	2,208,545	3,459,971	Other Non-Counties	7,018,516
San Sebastian	1,350,000	2,180,255	16,562,773	Metro Cities	20,093,028
Santa Isabel	1,000,000	1,301,538	2,039,027	Other Non-Counties	4,340,565
Toa Alta	1,750,000	4,419,976	20,699,596	Metro Cities	26,869,572
Toa Baja	1,750,000	4,557,807	26,454,335	Metro Cities	32,762,142
Trujillo Alto	1,750,000	3,907,498	20,800,030	Metro Cities	26,457,528
Utua	1,350,000	1,681,156	2,633,747	Other Non-Counties	5,664,903
Vega Alta	1,350,000	2,212,965	3,466,893	Other Non-Counties	7,029,858
Vega Baja	1,750,000	3,069,774	19,331,033	Metro Cities	24,150,807
Vieques	1,000,000	1,000,000	806,227	Other Non-Counties	2,806,227
Villalba	1,000,000	1,311,540	2,054,697	Other Non-Counties	4,366,237
Yabucoa	1,350,000	1,981,057	3,103,581	Other Non-Counties	6,434,638
Yauco	1,350,000	2,060,405	14,553,789	Metro Cities	17,964,194

Notes:

- AAFAF has been responsible for approving and tracking CARES Act reimbursement. The \$200 million reimbursed do not include the additional \$100 million recently approved by the Governor
- ARP Act allocation as reported by the House Committee on Oversight and Reform as of March 8, 2021

### Appendix 3: FY2018 Real Property Tax Exemptions by Land Use Categories<sup>19</sup>

Land Use Category	Total Properties	% of Total Properties	% of Total Value	Properties Receiving Some Exemption			Properties Receiving No Exemption	
				% of Value Exempted	Average Exemption Rate	Effective Tax Rate	Percent of Value	Effective Tax Rate
<b>Total</b>	<b>1,308,053</b>	<b>100.0%</b>	<b>100.0%</b>	<b>58.3%</b>	<b>93.9%</b>	<b>1.5%</b>	<b>31.8%</b>	<b>10.2%</b>
Single-family	931,340	71.2%	49.1%	67.4%	95.0%	1.2%	23.9%	10.3%
Residential, Vacant	189,572	14.5%	4.7%	52.3%	97.1%	0.8%	43.6%	10.2%
Condominiums	77,438	5.9%	5.8%	53.2%	92.9%	1.5%	38.1%	10.3%
Residential, other	56,597	4.3%	4.4%	45.2%	74.9%	3.0%	36.7%	10.3%
Retail stores	21,426	1.6%	4.1%	13.4%	88.3%	0.8%	85.3%	10.3%
Office and office buildings	7,671	0.6%	2.0%	12.9%	90.5%	1.4%	85.2%	10.3%
Mixed use	6,224	0.5%	0.7%	18.3%	61.7%	4.5%	66.9%	9.6%
Institutional, all	3,534	0.3%	2.3%	89.7%	98.8%	0.2%	8.3%	10.1%
Motor vehicle-related	2,813	0.2%	0.6%	2.7%	82.5%	1.9%	96.6%	10.3%
Warehouse & distribution centers	2,147	0.2%	6.0%	59.6%	88.3%	1.0%	33.7%	10.2%
Commercial, All other	2,045	0.2%	4.4%	11.8%	34.7%	8.6%	30.6%	10.3%
Entertainment	1,874	0.1%	0.6%	19.8%	88.2%	0.8%	78.5%	10.4%
Parking buildings	1,788	0.1%	0.2%	16.6%	93.9%	0.6%	82.5%	10.2%
Industrial, All other	870	0.1%	6.3%	79.2%	88.5%	0.9%	13.1%	10.2%
Commercial, vacant	730	0.1%	0.2%	8.5%	96.3%	0.7%	90.8%	10.4%
Agricultural, all	606	0.0%	0.2%	57.3%	93.2%	0.3%	41.2%	10.5%
Shopping mall	436	0.0%	1.6%	0.6%	89.3%	5.8%	98.2%	9.6%
Hotels, motels, guesthouses, hostels	290	0.0%	1.2%	76.4%	90.5%	1.1%	14.4%	10.4%
Industrial, vacant	225	0.0%	0.1%	26.6%	97.5%	0.8%	71.4%	9.5%
Supermarkets	207	0.0%	0.2%	2.5%	100.0%	0.0%	97.5%	10.2%
Department stores	139	0.0%	0.4%	0.6%	98.6%	0.5%	99.3%	10.1%
Pharmaceutical	81	0.0%	4.9%	88.3%	91.6%	0.7%	5.5%	10.3%

<sup>19</sup> Source: Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

## Appendix 4: Real Property Tax Exemptions by State and Type<sup>20</sup>

State	General	Senior	Disability-related	Military duty-related	Other	None
<b>Total</b>	<b>23</b>	<b>18</b>	<b>21</b>	<b>36</b>	<b>14</b>	<b>5</b>
Alabama	x	x	x	x		
Alaska		x		x		
Arizona			x		x	
Arkansas				x		
California	x			x		
Colorado		x		x		
Connecticut			x	x		
Delaware		x				
District of Columbia	x					
Florida	x		x	x	x	
Georgia	x	x		x		
Hawaii	x	x	x	x	x	
Idaho	x					
Illinois	x	x	x	x	x	
Indiana	x	x	x	x	x	
Iowa				x		
Kansas	x					
Kentucky						x
Louisiana	x			x	x	
Maine	x		x			
Maryland			x	x		
Massachusetts	x	x	x	x	x	
Michigan	x				x	
Minnesota	x			x		
Mississippi	x	x		x		
Missouri						x
Montana						x
Nebraska				x		
Nevada			x	x	x	
New Hampshire		x	x			
New Jersey				x		
New Mexico				x	x	
New York	x	x	x	x	x	
North Carolina		x	x	x		
North Dakota			x	x		
Ohio		x	x	x		
Oklahoma	x			x	x	
Oregon				x		
Pennsylvania	x			x		
Rhode Island						x
South Carolina	x	x	x	x	x	
South Dakota				x		
Tennessee						x
Texas	x			x		
Utah	x		x	x		
Vermont				x		
Virginia		x	x	x	x	
Washington		x	x	x		
West Virginia		x	x			
Wisconsin	x					
Wyoming				x		

### Notes:

- Disability-related exemptions include general disability, blindness, and deafness
- Military duty-related exemptions include veterans, disabled veterans, widow of the veteran, and active duty military
- Other exemptions include widows, low income individuals, law enforcement, and firefighters

<sup>20</sup> Source: Lincoln Institute of Land Policy, Residential Property Tax Relief Programs database

## Appendix 5: FY2020 Real Property Counts and Values by Municipality

(Dollars in thousands)

Municipality	Qualifying Property Counts				Property Values					FY2020 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
<b>Total</b>	<b>1,325,578</b>	<b>57,676</b>	<b>764,601</b>	<b>689,011</b>	<b>\$19,393,319</b>	<b>(\$4,078,187)</b>	<b>(\$7,186,771)</b>	<b>\$8,128,361</b>	<b>41.9%</b>	<b>\$836,600</b>	<b>\$649,120</b>	<b>77.6%</b>
Adjuntas	6,465	350	2,886	4,256	40,336	(1,797)	(19,740)	18,799	46.6%	1,566	1,076	68.7%
Aguada	16,145	289	7,539	10,004	124,566	(7,211)	(62,177)	55,178	44.3%	4,872	3,557	73.0%
Aguadilla	26,160	632	13,042	15,134	326,255	(83,558)	(114,315)	128,382	39.4%	13,262	9,448	71.2%
Aguas Buenas	9,227	177	4,537	5,884	70,717	(1,855)	(37,567)	31,294	44.3%	3,233	2,108	65.2%
Aibonito	9,340	326	5,320	4,569	90,574	(15,909)	(42,674)	31,991	35.3%	2,985	2,123	71.1%
Añasco	10,193	208	5,411	5,763	108,454	(15,843)	(46,054)	46,556	42.9%	4,507	3,043	67.5%
Arecibo	34,761	1,112	18,629	17,735	405,681	(84,787)	(162,048)	158,847	39.2%	18,383	11,994	65.2%
Arroyo	7,682	376	4,695	2,885	62,338	(3,580)	(36,951)	21,807	35.0%	2,253	1,491	66.2%
Barceloneta	9,277	501	5,905	3,484	652,235	(483,043)	(49,019)	120,173	18.4%	11,739	6,611	56.3%
Barranquitas	5,623	228	2,684	3,287	48,672	(6,279)	(21,811)	20,582	42.3%	1,920	1,539	80.1%
Bayamón	71,375	1,615	48,727	29,944	1,055,103	(79,284)	(495,104)	480,714	45.6%	45,472	37,346	82.1%
Cabo Rojo	30,544	746	12,828	19,742	264,772	(10,244)	(115,270)	139,258	52.6%	14,037	11,303	80.5%
Caguas	49,120	1,356	33,560	23,171	735,547	(50,158)	(331,970)	353,418	48.0%	36,259	29,495	81.3%
Camuy	12,517	374	6,103	7,008	88,679	(2,157)	(50,039)	36,483	41.1%	3,769	2,740	72.7%
Canóvanas	15,903	1,213	9,279	8,190	197,666	(17,977)	(89,187)	90,501	45.8%	9,293	6,811	73.3%
Carolina	64,925	2,017	43,715	30,946	1,333,920	(356,734)	(473,736)	503,450	37.7%	57,041	46,254	81.1%
Cataño	6,465	192	4,704	3,051	151,518	(29,907)	(45,845)	75,767	50.0%	7,143	6,000	84.0%
Cayey	17,337	667	9,836	9,794	219,552	(35,091)	(86,575)	97,886	44.6%	10,356	8,515	82.2%
Ceiba	6,172	393	3,477	2,881	93,796	(40,114)	(30,073)	23,609	25.2%	2,203	1,758	79.8%
Ciales	6,533	214	2,976	3,983	44,595	(2,819)	(21,223)	20,553	46.1%	2,123	1,505	70.9%
Cidra	14,645	302	8,157	8,253	209,198	(62,889)	(72,574)	73,735	35.2%	9,069	6,622	73.0%
Coamo	14,926	644	9,088	6,665	125,387	(11,259)	(73,755)	40,373	32.2%	4,171	3,060	73.4%
Comerio	4,069	235	2,030	2,177	31,580	(1,444)	(15,163)	14,974	47.4%	1,309	973	74.3%
Corozal	8,147	140	4,259	4,551	65,394	(2,183)	(32,843)	30,368	46.4%	2,985	2,316	77.6%
Culebra	1,482	168	233	1,149	13,317	(839)	(1,599)	10,879	81.7%	961	790	82.2%
Dorado	13,497	1,033	8,292	7,551	297,652	(40,865)	(89,602)	167,185	56.2%	17,654	14,679	83.1%
Fajardo	17,674	883	10,190	8,195	256,379	(50,283)	(92,828)	113,268	44.2%	11,701	9,335	79.8%
Florida	4,042	144	2,430	1,752	30,554	(989)	(19,110)	10,455	34.2%	1,080	767	71.1%
Guánica	8,065	892	4,524	3,181	72,237	(8,098)	(33,871)	30,268	41.9%	3,202	1,715	53.5%
Guayama	17,752	1,267	10,136	7,405	599,560	(380,532)	(83,751)	135,277	22.6%	13,636	8,722	64.0%
Guayanilla	6,503	416	3,702	2,878	55,474	(9,553)	(26,981)	18,940	34.1%	2,051	1,250	60.9%
Guaynabo	33,583	1,472	21,133	23,926	824,369	(60,143)	(266,191)	498,035	60.4%	50,160	43,354	86.4%
Gurabo	16,375	814	11,210	8,582	249,523	(40,960)	(118,303)	90,261	36.2%	10,678	9,007	84.3%
Hatillo	13,418	330	7,382	7,003	136,345	(7,039)	(64,267)	65,039	47.7%	5,886	5,238	89.0%
Hormigueros	6,824	159	4,300	2,944	73,052	(4,108)	(38,714)	30,230	41.4%	2,972	2,507	84.4%
Humacao	24,148	1,274	13,322	13,210	413,156	(105,358)	(130,032)	177,766	43.0%	15,697	14,015	89.3%
Isabela	21,985	595	10,718	12,473	430,063	(265,364)	(86,371)	78,328	18.2%	7,308	5,562	76.1%
Jayuya	4,659	272	2,407	2,589	38,071	(2,384)	(18,462)	17,226	45.2%	1,392	820	58.9%
Juana Díaz	18,162	1,214	12,080	6,367	247,987	(88,160)	(100,476)	59,351	23.9%	5,537	3,539	63.9%

Municipality	Qualifying Property Counts				Property Values					FY2020 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
<b>Total</b>	<b>1,325,578</b>	<b>57,676</b>	<b>764,601</b>	<b>689,011</b>	<b>\$19,393,319</b>	<b>(\$4,078,187)</b>	<b>(\$7,186,771)</b>	<b>\$8,128,361</b>	<b>41.9%</b>	<b>\$836,600</b>	<b>\$649,120</b>	<b>77.6%</b>
Juncos	14,688	1,021	9,399	5,508	604,050	(454,803)	(83,085)	66,162	11.0%	7,496	5,782	77.1%
Lajas	12,127	326	5,853	6,899	91,314	(5,010)	(46,760)	39,544	43.3%	4,876	3,455	70.9%
Lares	9,110	213	4,297	5,799	67,756	(3,502)	(34,147)	30,107	44.4%	3,035	2,119	69.8%
Las Marías	3,425	113	1,402	2,496	21,731	(641)	(10,159)	10,931	50.3%	894	559	62.5%
Las Piedras	13,884	760	8,757	6,730	207,393	(43,592)	(84,512)	79,290	38.2%	8,093	4,286	53.0%
Loíza	8,311	884	4,473	3,502	80,089	(8,270)	(38,592)	33,227	41.5%	3,898	2,736	70.2%
Luquillo	9,695	474	5,089	5,606	109,064	(7,191)	(49,500)	52,373	48.0%	4,886	4,110	84.1%
Manatí	15,196	326	8,594	7,682	273,639	(109,737)	(76,301)	87,600	32.0%	8,223	7,177	87.3%
Maricao	1,823	105	663	1,287	12,774	(1,878)	(4,171)	6,725	52.6%	695	424	61.1%
Maunabo	4,628	467	2,435	2,098	34,209	(2,739)	(18,775)	12,695	37.1%	1,248	1,063	85.2%
Mayaguez	35,468	910	16,496	22,598	430,745	(41,413)	(148,987)	240,346	55.8%	25,429	18,445	72.5%
Moca	15,019	227	6,980	9,405	104,588	(4,580)	(56,374)	43,634	41.7%	4,180	2,974	71.2%
Morovis	7,678	242	4,687	3,591	67,155	(1,533)	(39,269)	26,354	39.2%	2,854	2,112	74.0%
Naguabo	10,321	555	6,054	4,787	101,912	(10,559)	(54,051)	37,302	36.6%	3,667	2,808	76.6%
Naranjito	6,950	162	3,636	4,089	57,097	(1,238)	(29,667)	26,193	45.9%	2,575	2,069	80.4%
Orocovis	6,226	102	2,635	4,255	45,573	(2,008)	(20,687)	22,878	50.2%	1,837	1,502	81.7%
Patillas	7,277	286	4,063	3,453	52,723	(2,244)	(30,649)	19,830	37.6%	2,048	1,244	60.7%
Peñuelas	7,747	729	4,341	3,287	299,216	(220,836)	(30,348)	48,032	16.1%	4,121	3,228	78.3%
Ponce	57,945	4,002	35,410	24,281	791,898	(140,090)	(311,175)	340,633	43.0%	41,808	29,526	70.6%
Quebradillas	10,796	211	5,571	5,916	79,826	(2,402)	(44,903)	32,521	40.7%	2,872	1,910	66.5%
Rincón	8,675	165	3,409	5,969	74,523	(6,433)	(27,741)	40,350	54.1%	4,370	3,838	87.8%
Río Grande	22,809	1,334	11,942	12,225	307,376	(53,594)	(119,244)	134,539	43.8%	13,898	9,712	69.9%
Sabana Grande	9,496	328	5,679	4,361	78,749	(7,092)	(46,730)	24,926	31.7%	2,575	1,860	72.2%
Salinas	12,514	1,152	6,930	5,071	108,173	(15,763)	(53,730)	38,680	35.8%	3,996	2,326	58.2%
San Germán	13,695	331	7,046	7,914	126,078	(11,558)	(62,855)	51,665	41.0%	5,208	3,771	72.4%
San Juan	142,313	6,217	79,063	86,781	2,852,982	(311,124)	(880,545)	1,661,313	58.2%	168,404	139,485	82.8%
San Lorenzo	13,898	363	8,346	7,244	123,802	(9,137)	(71,948)	42,717	34.5%	4,370	3,449	78.9%
San Sebastián	19,285	369	9,056	12,091	150,961	(10,992)	(75,012)	64,958	43.0%	5,898	4,509	76.4%
Santa Isabel	8,969	708	5,579	3,086	87,535	(14,527)	(44,697)	28,310	32.3%	3,066	2,051	66.9%
Toa Alta	21,864	996	15,484	10,732	259,433	(12,352)	(164,776)	82,305	31.7%	9,325	7,818	83.8%
Toa Baja	25,711	1,511	18,805	8,555	319,602	(15,303)	(175,473)	128,825	40.3%	15,090	11,122	73.7%
Trujillo Alto	23,220	647	15,875	11,997	318,336	(11,227)	(176,248)	130,861	41.1%	13,845	10,081	72.8%
Utua	9,631	256	4,271	6,253	64,775	(1,157)	(32,011)	31,607	48.8%	2,740	1,833	66.9%
Vega Alta	11,727	1,213	6,627	5,957	154,398	(13,810)	(63,456)	77,132	50.0%	6,695	5,398	80.6%
Vega Baja	20,811	1,520	14,171	7,669	218,216	(11,615)	(118,881)	87,720	40.2%	9,061	5,810	64.1%
Vieques	5,270	1,723	1,568	2,476	39,728	(9,024)	(10,868)	19,836	49.9%	2,148	1,702	79.2%
Villalba	6,065	280	3,550	2,799	50,399	(3,838)	(28,289)	18,272	36.3%	1,750	1,206	68.9%
Yabucoa	11,292	591	6,498	5,363	102,770	(12,079)	(53,120)	37,570	36.6%	4,069	2,633	64.7%
Yauco	14,299	617	8,421	6,637	138,455	(12,499)	(72,764)	53,192	38.4%	5,495	4,001	72.8%

## Appendix 6: Incentive Laws Overview

The Government has enacted various laws that provide economic incentives to eligible businesses and companies to encourage job creation and investment. The Government enacted Act 60-2019 to consolidate dozens of decrees, incentives, subsidies, refunds, and existing tax benefits. The table below summarizes the most significant incentives provided by the Government under Act 60-2019, as identified in CRIM’s 2020 Financial Statements, that impact property taxes.

Sub-section of Act 60-2019	Purpose	Exemptions impacting property taxes
<p><b><u>Manufacturing:</u></b>            Subtitle B – Chapter 4 and            Subtitle C – Chapter 2  <i>(Previously Act 73-2008)</i></p>	<p>Offers an attractive tax structure to attract direct foreign investment to promote the economic development and social betterment of Puerto Rico</p>	<ul style="list-style-type: none"> <li>• Applicable businesses are entitled to a 75% exemption on property taxes</li> </ul>
<p><b><u>Tourism and Other Industries:</u></b>            Subtitle B – Chapter 5 and 11,            Subtitle C – Chapter 1, and            Subtitle E – Chapter 1  <i>(Previously Act 74-2010)</i></p>	<p>Reduce construction and operation costs, and facilitate the investment of tourism-related businesses to make Puerto Rico a world-class tourist destination</p>	<ul style="list-style-type: none"> <li>• Any property devoted to tourism is entitled to a 75% exemption on property taxes for a 15-year period</li> </ul>
<p><b><u>Tourism:</u></b>            Subtitle B – Chapter 5  <i>(Previously Act 118-2010)</i></p>	<p>Foster the economic development of municipalities</p>	<ul style="list-style-type: none"> <li>• Any tourist facility that operates games of chances is entitled to a 75% exemption on property taxes</li> </ul>
<p><b><u>Creative Industries:</u></b>            Subtitle B – Chapter 9,            Subtitle C – Chapter 5, and            Subtitle E – Chapter 1  <i>(Previously Act 27-2011)</i></p>	<p>Provide an adequate framework for the continued development of the film industry and other related activities by fostering economic development and investments</p>	<ul style="list-style-type: none"> <li>• Personal and real properties devoted to the film industry are entitled to a 75% exemption on taxes</li> </ul>
<p><b><u>Export Services:</u></b>            Subtitle B – Chapter 3 and            Subtitle E – Chapter 1  <i>(Previously Act 20-2012)</i></p>	<p>Develop Puerto Rico as an international service center, encourage local professionals to stay and return, and attract foreign capital</p>	<ul style="list-style-type: none"> <li>• Personal and real properties used in the operation of the activities covered by these sub-sections are entitled to a 75% exemption on taxes</li> </ul>
<p><b><u>Agriculture:</u></b>            Subtitle B – Chapter 8  <i>(Previously Act 225-1995)</i></p>	<p>Provide “bona fide farmers” with exemptions to promote agricultural development</p>	<ul style="list-style-type: none"> <li>• Personal and real properties used for agricultural businesses are entitled to a 100% exemption on taxes</li> </ul>
<p><b><u>Green Energy:</u></b>            Subtitle B – Chapter 7 and            Subtitle E – Chapter 1  <i>(Previously Act 83-2010)</i></p>	<p>Establish measures aimed at fostering the development of sustainable energy systems</p>	<ul style="list-style-type: none"> <li>• Eligible businesses and companies are entitled to a 75% exemption on property taxes</li> </ul>

## Appendix 7: FY2022 Real Property Statutory Tax Rates by Municipality

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Adjuntas	6.00%	1.03%	1.50%	8.53%	(0.20%)	8.33%
Aguada	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Aguadilla	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Aguas Buenas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Aibonito	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Añasco	6.00%	1.03%	2.85%	9.88%	(0.20%)	9.68%
Arecibo	6.00%	1.03%	4.80%	11.83%	(0.20%)	11.63%
Arroyo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Barceloneta	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Barranquitas	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Bayamón	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Cabo Rojo	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Caguas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Camuy	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Canóvanas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Carolina	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Cataño	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Cayey	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Ceiba	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Ciales	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Cidra	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Coamo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Comerio	6.00%	1.03%	2.25%	9.28%	(0.20%)	9.08%
Corozal	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Culebra	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Dorado	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Fajardo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Florida	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Guánica	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Guayama	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Guayanilla	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Guaynabo	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Gurabo	6.00%	1.03%	5.00%	12.03%	(0.20%)	11.83%
Hatillo	5.72%	1.03%	2.50%	9.25%	(0.20%)	9.05%
Hormigueros	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Humacao	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Isabela	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Jayuya	6.00%	1.03%	1.25%	8.28%	(0.20%)	8.08%
Juana Díaz	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%



	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Juncos	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Lajas	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Lares	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Las Marías	6.00%	1.03%	1.35%	8.38%	(0.20%)	8.18%
Las Piedras	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Loiza	6.00%	1.03%	4.90%	11.93%	(0.20%)	11.73%
Luquillo	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Manatí	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Maricao	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Maunabo	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Mayagüez	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Moca	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Morovis	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Naguabo	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Naranjito	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Orocovis	6.00%	1.03%	1.20%	8.23%	(0.20%)	8.03%
Patillas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Peñuelas	6.00%	1.03%	1.75%	8.78%	(0.20%)	8.58%
Ponce	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Quebradillas	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Rincón	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Río Grande	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Sabana Grande	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Salinas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
San Germán	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
San Juan	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
San Lorenzo	6.00%	1.03%	3.40%	10.43%	(0.20%)	10.23%
San Sebastián	6.00%	1.03%	2.25%	9.28%	(0.20%)	9.08%
Santa Isabel	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Toa Alta	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Toa Baja	6.00%	1.03%	5.00%	12.03%	(0.20%)	11.83%
Trujillo Alto	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Utuado	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Vega Alta	6.00%	1.03%	1.85%	8.88%	(0.20%)	8.68%
Vega Baja	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Vieques	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Villalba	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Yabucoa	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Yauco	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%

## Appendix 8: Current Year Real Property Collection Rates by Municipality

<b>Real Property Tax Collection Rate (Current Year)</b>					
	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Average</b>	<b>68%</b>	<b>68%</b>	<b>67%</b>	<b>68%</b>	<b>65%</b>
Adjuntas	54%	55%	53%	55%	55%
Aguada	55%	55%	53%	56%	56%
Aguadilla	62%	63%	59%	60%	59%
Aguas Buenas	53%	54%	54%	57%	52%
Aibonito	61%	59%	63%	62%	56%
Añasco	58%	61%	58%	58%	55%
Arecibo	55%	58%	54%	53%	52%
Arroyo	57%	57%	55%	59%	55%
Barceloneta	66%	69%	55%	56%	59%
Barranquitas	59%	63%	60%	61%	58%
Bayamón	73%	74%	71%	71%	68%
Cabo Rojo	62%	66%	64%	67%	65%
Caguas	71%	72%	76%	74%	70%
Camuy	54%	56%	55%	57%	53%
Canóvanas	64%	61%	64%	62%	58%
Carolina	73%	75%	73%	72%	70%
Cataño	73%	77%	77%	84%	77%
Cayey	71%	69%	66%	72%	71%
Ceiba	67%	69%	67%	68%	64%
Ciales	54%	48%	45%	46%	47%
Cidra	63%	62%	63%	63%	61%
Coamo	59%	61%	61%	61%	57%
Comerío	59%	60%	58%	59%	55%
Corozal	56%	56%	54%	55%	52%
Culebra	55%	58%	61%	63%	59%
Dorado	73%	75%	72%	75%	70%
Fajardo	67%	68%	69%	54%	65%
Florida	48%	53%	49%	49%	50%
Guánica	44%	43%	42%	42%	39%
Guayama	70%	68%	66%	67%	58%
Guayanilla	49%	47%	46%	54%	49%
Guaynabo	79%	81%	80%	81%	78%
Gurabo	68%	64%	70%	69%	70%
Hatillo	66%	68%	64%	66%	67%
Hormigueros	70%	72%	70%	71%	70%
Humacao	70%	71%	69%	70%	70%
Isabela	61%	62%	62%	64%	62%
Jayuya	60%	58%	58%	58%	45%
Juana Díaz	57%	52%	57%	60%	51%

**Real Property Tax Collection Rate (Current Year)**

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Average</b>	<b>68%</b>	<b>68%</b>	<b>67%</b>	<b>68%</b>	<b>65%</b>
Juncos	44%	67%	66%	68%	68%
Lajas	58%	58%	59%	58%	57%
Lares	56%	58%	54%	58%	54%
Las Marías	51%	51%	56%	53%	49%
Las Piedras	38%	46%	49%	50%	43%
Loíza	58%	60%	59%	60%	57%
Luquillo	70%	71%	68%	70%	68%
Manatí	68%	65%	66%	64%	69%
Maricao	50%	49%	56%	64%	44%
Maunabo	65%	64%	62%	63%	62%
Mayagüez	70%	69%	68%	67%	64%
Moca	59%	60%	56%	58%	56%
Morovis	51%	57%	60%	58%	55%
Naguabo	62%	61%	60%	57%	57%
Naranjito	65%	65%	70%	64%	61%
Orocovis	68%	67%	63%	63%	60%
Patillas	56%	56%	55%	54%	50%
Peñuelas	76%	74%	75%	72%	70%
Ponce	68%	65%	64%	66%	61%
Quebradillas	55%	56%	54%	56%	52%
Rincón	66%	68%	64%	67%	66%
Río Grande	60%	59%	60%	64%	59%
Sabana Grande	62%	67%	63%	63%	60%
Salinas	47%	47%	48%	49%	46%
San Germán	63%	65%	61%	64%	60%
San Juan	74%	72%	73%	72%	71%
San Lorenzo	63%	65%	65%	66%	64%
San Sebastián	62%	61%	59%	62%	59%
Santa Isabel	62%	61%	63%	58%	55%
Toa Alta	64%	68%	66%	71%	68%
Toa Baja	65%	66%	63%	65%	61%
Trujillo Alto	66%	67%	66%	67%	62%
Utuado	56%	56%	54%	56%	51%
Vega Alta	67%	67%	65%	63%	64%
Vega Baja	53%	54%	53%	55%	50%
Vieques	63%	63%	61%	61%	56%
Villalba	59%	58%	55%	58%	53%
Yabucoa	56%	53%	53%	52%	48%
Yauco	61%	60%	60%	64%	61%

## Appendix 9: FY2020 Personal Property Counts and Values by Municipality

(Dollars in thousands)

Municipality	Qualifying Property Counts				Property Values					FY2020 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
<b>Total</b>	<b>75,668</b>	<b>4,053</b>	<b>19,582</b>	<b>54,204</b>	<b>\$12,196,036</b>	<b>(\$6,843,500)</b>	<b>(\$91,119)</b>	<b>\$5,261,417</b>	<b>43.1%</b>	<b>\$430,679</b>	<b>\$430,512</b>	<b>100.0%</b>
Adjuntas	301	25	110	175	5,837	(1,910)	(772)	3,155	54.1%	200	212	106.3%
Aguada	1,311	35	584	719	27,280	(5,924)	(3,210)	18,145	66.5%	1,239	1,303	105.1%
Aguadilla	1,828	93	621	1,183	166,760	(92,323)	(3,263)	71,175	42.7%	4,861	4,758	97.9%
Aguas Buenas	297	12	102	189	7,778	(1,781)	(450)	5,547	71.3%	462	580	125.5%
Aibonito	623	50	232	355	121,026	(105,427)	(1,319)	14,280	11.8%	1,047	1,051	100.4%
Añasco	696	45	287	390	110,445	(85,755)	(1,005)	23,685	21.4%	1,819	1,870	102.8%
Arecibo	1,938	122	584	1,293	243,773	(166,194)	(2,943)	74,636	30.6%	6,217	6,481	104.2%
Arroyo	179	9	49	126	54,980	(44,066)	(206)	10,708	19.5%	892	807	90.5%
Barceloneta	545	37	154	375	560,329	(492,386)	(594)	67,349	12.0%	5,610	5,210	92.9%
Barranquitas	667	28	282	365	15,330	(937)	(1,213)	13,180	86.0%	966	968	100.2%
Bayamón	4,097	147	677	3,379	750,572	(237,708)	(3,558)	509,306	67.9%	38,465	35,601	92.6%
Cabo Rojo	1,170	58	417	722	48,236	(17,851)	(1,973)	28,413	58.9%	1,941	1,918	98.8%
Caguas	2,832	169	493	2,281	492,293	(201,760)	(2,523)	288,011	58.5%	23,974	23,064	96.2%
Camuy	788	66	286	451	22,573	(7,856)	(1,364)	13,353	59.2%	912	1,008	110.5%
Canóvanas	620	24	145	472	92,484	(53,140)	(740)	38,604	41.7%	3,216	3,494	108.7%
Carolina	3,397	134	562	2,803	1,163,670	(804,645)	(2,696)	356,329	30.6%	33,245	32,851	98.8%
Cataño	547	64	104	428	395,068	(170,791)	(382)	223,895	56.7%	18,650	18,697	100.3%
Cayey	864	34	238	612	209,885	(113,318)	(1,323)	95,244	45.4%	8,172	7,802	95.5%
Ceiba	224	14	70	151	11,662	(3,557)	(297)	7,807	66.9%	453	428	94.5%
Ciales	323	27	117	187	6,234	(2,329)	(528)	3,378	54.2%	281	322	114.3%
Cidra	687	43	247	424	136,107	(89,931)	(1,169)	45,007	33.1%	4,649	4,573	98.4%
Coamo	623	34	248	356	26,529	(12,985)	(1,080)	12,464	47.0%	1,038	1,027	98.9%
Comerio	270	19	105	154	7,386	(2,537)	(567)	4,282	58.0%	303	318	105.0%
Corozal	653	24	207	431	26,095	(13,555)	(568)	11,971	45.9%	937	997	106.4%
Culebra	125	4	30	97	1,850	(104)	(168)	1,579	85.3%	108	142	131.3%
Dorado	835	80	110	695	142,694	(90,418)	(524)	51,752	36.3%	4,570	5,331	116.7%
Fajardo	1,004	46	270	718	144,119	(83,535)	(1,239)	59,344	41.2%	4,053	4,030	99.4%
Florida	226	12	123	97	4,396	(1,469)	(522)	2,405	54.7%	200	185	92.1%
Guánica	271	25	113	142	15,949	(9,816)	(494)	5,639	35.4%	484	492	101.7%
Guayama	795	32	223	564	233,917	(179,260)	(1,263)	53,394	22.8%	4,314	4,201	97.4%
Guayanilla	287	18	131	150	27,645	(21,462)	(348)	5,835	21.1%	515	557	108.0%
Guaynabo	2,450	161	189	2,196	811,499	(362,136)	(1,149)	448,214	55.2%	36,216	34,121	94.2%
Gurabo	563	31	142	415	200,956	(165,957)	(590)	34,409	17.1%	2,694	2,877	106.8%
Hatillo	1,101	88	329	699	109,690	(15,048)	(1,608)	93,034	84.8%	6,559	6,061	92.4%
Hormigueros	456	28	144	299	23,587	(1,922)	(477)	21,188	89.8%	1,659	1,760	106.1%
Humacao	1,253	68	343	886	325,708	(243,449)	(1,593)	80,666	24.8%	5,509	5,921	107.5%
Isabela	1,254	63	478	749	40,334	(3,730)	(2,509)	34,096	84.5%	2,499	2,624	105.0%
Jayuya	239	19	93	133	106,470	(97,727)	(493)	8,250	7.7%	502	495	98.6%
Juana Díaz	696	34	269	410	300,332	(275,219)	(1,242)	23,871	7.9%	1,988	2,168	109.0%

Municipality	Qualifying Property Counts				Property Values					FY2020 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
<b>Total</b>	<b>75,668</b>	<b>4,053</b>	<b>19,582</b>	<b>54,204</b>	<b>\$12,196,036</b>	<b>(\$6,843,500)</b>	<b>(\$91,119)</b>	<b>\$5,261,417</b>	<b>43.1%</b>	<b>\$430,679</b>	<b>\$430,512</b>	<b>100.0%</b>
Juncos	515	28	170	333	177,093	(145,094)	(677)	31,322	17.7%	2,922	3,841	131.4%
Lajas	466	55	187	241	21,375	(12,025)	(795)	8,554	40.0%	884	913	103.4%
Lares	589	73	225	302	20,065	(10,144)	(1,040)	8,880	44.3%	718	720	100.3%
Las Marías	142	14	53	79	3,028	(938)	(120)	1,969	65.0%	122	113	92.5%
Las Piedras	643	41	197	424	349,666	(319,649)	(870)	29,147	8.3%	1,991	2,138	107.4%
Loíza	246	12	88	155	6,322	(1,378)	(289)	4,655	73.6%	453	365	80.6%
Luquillo	377	19	104	266	18,914	(4,080)	(383)	14,451	76.4%	987	1,049	106.3%
Manatí	1,300	60	259	1,012	231,424	(170,324)	(1,014)	60,086	26.0%	4,555	4,604	101.1%
Maricao	92	18	25	53	17,274	(13,706)	(79)	3,490	20.2%	203	224	109.9%
Maunabo	161	10	63	92	3,853	(1,106)	(340)	2,407	62.5%	164	106	64.7%
Mayaguez	2,263	101	531	1,696	210,326	(49,512)	(2,329)	158,486	75.4%	13,598	13,296	97.8%
Moca	1,006	53	427	543	44,042	(25,357)	(1,820)	16,865	38.3%	1,110	1,257	113.3%
Morovis	469	24	185	268	14,771	(5,109)	(517)	9,145	61.9%	647	608	94.0%
Naguabo	365	34	121	222	24,949	(13,006)	(432)	11,511	46.1%	752	673	89.6%
Naranjito	800	13	321	475	16,782	(1,768)	(1,467)	13,547	80.7%	1,061	1,133	106.9%
Orocovis	490	19	221	257	8,914	(2,415)	(823)	5,675	63.7%	342	363	106.1%
Patillas	261	10	120	136	7,617	(1,704)	(543)	5,371	70.5%	447	319	71.3%
Peñuelas	357	19	141	206	152,124	(135,895)	(434)	15,795	10.4%	1,039	1,025	98.6%
Ponce	3,274	170	812	2,378	431,531	(149,677)	(3,959)	277,895	64.4%	23,149	22,392	96.7%
Quebradillas	671	35	274	377	13,634	(2,603)	(1,281)	9,750	71.5%	666	731	109.8%
Rincón	470	21	156	312	12,747	(5,808)	(830)	6,109	47.9%	539	610	113.1%
Río Grande	663	39	171	477	67,022	(32,221)	(937)	33,864	50.5%	2,313	2,412	104.3%
Sabana Grande	439	26	182	248	29,944	(20,055)	(722)	9,167	30.6%	764	919	120.4%
Salinas	439	34	167	250	52,484	(39,066)	(823)	12,595	24.0%	1,049	1,025	97.7%
San Germán	761	46	274	463	57,892	(29,840)	(1,094)	26,958	46.6%	2,043	2,030	99.3%
San Juan	11,663	549	1,250	10,166	1,805,471	(631,293)	(7,232)	1,166,945	64.6%	97,207	104,728	107.7%
San Lorenzo	478	25	171	294	107,560	(82,024)	(761)	24,775	23.0%	2,039	2,329	114.2%
San Sebastián	1,249	124	514	642	37,608	(8,402)	(1,925)	27,280	72.5%	2,000	2,197	109.9%
Santa Isabel	401	43	82	284	81,359	(48,741)	(482)	32,135	39.5%	2,838	2,625	92.5%
Toa Alta	817	13	233	588	19,999	(881)	(1,084)	18,035	90.2%	1,502	1,585	105.5%
Toa Baja	1,487	61	330	1,152	347,258	(190,795)	(1,364)	155,100	44.7%	15,246	12,193	80.0%
Trujillo Alto	836	28	151	673	51,836	(3,349)	(772)	47,714	92.0%	4,094	4,011	98.0%
Utua	652	45	259	364	16,494	(6,575)	(962)	8,957	54.3%	612	582	95.1%
Vega Alta	690	27	186	496	73,046	(43,363)	(680)	29,002	39.7%	1,937	2,220	114.6%
Vega Baja	1,254	50	333	904	283,237	(225,627)	(1,412)	56,199	19.8%	4,681	4,502	96.2%
Vieques	207	13	41	164	5,441	(2,244)	(170)	3,026	55.6%	267	343	128.6%
Villalba	397	14	200	191	34,663	(26,532)	(818)	7,314	21.1%	609	929	152.5%
Yabucoa	433	43	164	239	90,963	(76,039)	(600)	14,323	15.7%	1,265	972	76.9%
Yauco	810	22	286	511	55,828	(25,239)	(1,274)	29,315	52.5%	2,442	2,126	87.1%

## Appendix 10: Decrees Identified by CRIM

### Decrees by Origin

<b>Total</b>		<b>3,887</b>
<b><u>Central Government</u></b>		
Act. No. 225-1995	Agriculture	973
Act. No. 73-2008	Economic Incentives Act. of 2008	662
Act. No. 135-1997	Economic Incentives Act. of 1997	498
Article 5.01 (e) Act. No. 83-1991	Non-profit Organizations	315
Act. No. 255-1995	Cooperatives	183
Act. No. 74-2010	Tourism Development	143
Others Municipal Tax Grants	Foreign Trade Zone	143
Act. No. 168-1968	For-profit Hospital	129
Act. No. 20-2012	Law to Promote the Export of Services	103
Act. No. 83-2010	Incentives Law for Green Energy	33
Act. No. 273-2012	Regulatory Law for the International Financial Center	23
Article 5.01 (f) Act. No. 83-1991	Non-profit Hospital	17
Other Exemptions	Other	529
<b>Total decrees originating in the Central Government</b>		<b>3,751</b>
		<i>% of the total</i> 97%
<b><u>Municipalities</u></b>		
Others Municipal Tax Grant (Part 1)		52
Others Municipal Tax Grant (Part 2)		84
<b>Total decrees originating in the Municipalities</b>		<b>136</b>
		<i>% of the total</i> 3%

## Appendix 11: FY2022 Personal Property Statutory Tax Rates by Municipality

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Adjuntas	4.00%	1.03%	1.50%	6.53%	(0.20%)	6.33%
Aguada	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Aguadilla	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Aguas Buenas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Aibonito	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Añasco	4.00%	1.03%	2.85%	7.88%	(0.20%)	7.68%
Arecibo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Arroyo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Barceloneta	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Barranquitas	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Bayamón	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
Cabo Rojo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Caguas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Camuy	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Canóvanas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Carolina	4.00%	1.03%	4.50%	9.53%	(0.20%)	9.33%
Cataño	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Cayey	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Ceiba	3.72%	1.03%	1.25%	6.00%	(0.20%)	5.80%
Ciales	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Cidra	4.00%	1.03%	5.50%	10.53%	(0.20%)	10.33%
Coamo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Comerio	4.00%	1.03%	2.25%	7.28%	(0.20%)	7.08%
Corozal	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Culebra	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Dorado	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Fajardo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Florida	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Guánica	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Guayama	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Guayanilla	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Guaynabo	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Gurabo	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Hatillo	3.72%	1.03%	2.50%	7.25%	(0.20%)	7.05%
Hormigueros	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Humacao	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Isabela	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Jayuya	4.00%	1.03%	1.25%	6.28%	(0.20%)	6.08%
Juana Díaz	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Juncos	4.00%	1.03%	4.50%	9.53%	(0.20%)	9.33%
Lajas	4.00%	1.03%	5.50%	10.53%	(0.20%)	10.33%
Lares	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Las Marías	4.00%	1.03%	1.35%	6.38%	(0.20%)	6.18%
Las Piedras	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Loiza	4.00%	1.03%	4.90%	9.93%	(0.20%)	9.73%
Luquillo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Manatí	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
Maricao	4.00%	1.03%	1.00%	6.03%	(0.20%)	5.83%
Maunabo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Mayagüez	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Moca	4.00%	1.03%	1.75%	6.78%	(0.20%)	6.58%
Morovis	4.00%	1.03%	2.25%	7.28%	(0.20%)	7.08%
Naguabo	4.00%	1.03%	1.70%	6.73%	(0.20%)	6.53%
Naranjito	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Orocovis	4.00%	1.03%	1.20%	6.23%	(0.20%)	6.03%
Patillas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Peñuelas	4.00%	1.03%	1.75%	6.78%	(0.20%)	6.58%
Ponce	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Quebradillas	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Rincón	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Río Grande	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Sabana Grande	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Salinas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
San Germán	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
San Juan	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
San Lorenzo	4.00%	1.03%	3.40%	8.43%	(0.20%)	8.23%
San Sebastián	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Santa Isabel	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Toa Alta	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Toa Baja	4.00%	1.03%	5.00%	10.03%	(0.20%)	9.83%
Trujillo Alto	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Utuado	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Vega Alta	4.00%	1.03%	1.85%	6.88%	(0.20%)	6.68%
Vega Baja	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Vieques	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Villalba	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Yabucoa	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Yauco	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%



## Appendix 12: Projected Advances to Municipalities for FY2022<sup>21</sup>

(Dollars in thousands)

	Total Property Taxes	Less: CAE Collections	Less: Redemption Fund Collections	Total Base Taxes	Add: Equalization Fund	Less: CRIM Admin Fee	Less: Net Interest	Less: Adjustments	Advances to Munis
<b>Total</b>	<b>\$1,078,804</b>	<b>(\$388,333)</b>	<b>(\$115,747)</b>	<b>\$574,724</b>	<b>\$124,493</b>	<b>(\$28,736)</b>	<b>(\$4,000)</b>	<b>(\$10,945)</b>	<b>\$655,535</b>
Adjuntas	1,286	(238)	(163)	885	2,327	(44)	(6)	(139)	3,023
Aguada	4,810	(1,146)	(590)	3,074	2,099	(154)	(21)	(12)	4,986
Aguadilla	14,415	(4,561)	(1,644)	8,210	631	(410)	(57)	(13)	8,360
Aguas Buenas	2,719	(940)	(277)	1,503	2,369	(75)	(10)	(13)	3,773
Aibonito	3,153	(893)	(368)	1,892	1,971	(95)	(13)	(0)	3,755
Añasco	4,900	(1,546)	(559)	2,795	1,653	(140)	(19)	(13)	4,276
Arecibo	18,443	(7,511)	(1,811)	9,121	436	(456)	(63)	(154)	8,884
Arroyo	2,512	(900)	(265)	1,348	2,083	(67)	(9)	(214)	3,140
Barceloneta	11,467	(4,232)	(1,245)	5,990	1,255	(299)	(42)	(212)	6,691
Barranquitas	2,412	(697)	(287)	1,428	2,861	(71)	(10)	(10)	4,197
Bayamón	75,710	(23,889)	(8,948)	42,873	285	(2,144)	(298)	(255)	40,462
Cabo Rojo	13,425	(4,186)	(1,430)	7,809	167	(390)	(54)	(18)	7,513
Caguas	52,375	(19,181)	(5,645)	27,550	570	(1,378)	(192)	(138)	26,413
Camuy	3,694	(1,185)	(405)	2,104	2,310	(105)	(15)	(83)	4,212
Canóvanas	10,386	(3,683)	(1,084)	5,619	1,495	(281)	(39)	(17)	6,777
Carolina	78,391	(33,174)	(7,593)	37,624	1,155	(1,881)	(262)	(755)	35,880
Cataño	24,037	(9,367)	(2,757)	11,913	2,338	(596)	(83)	(523)	13,050
Cayey	16,158	(6,218)	(1,708)	8,232	481	(412)	(57)	(345)	7,900
Ceiba	2,224	(564)	(263)	1,397	1,783	(70)	(10)	(63)	3,037
Ciales	1,650	(571)	(168)	911	2,016	(46)	(6)	(98)	2,777
Cidra	11,143	(5,270)	(987)	4,886	1,261	(244)	(34)	0	5,868
Coamo	4,247	(1,489)	(438)	2,319	2,074	(116)	(16)	(80)	4,182
Comerio	1,251	(322)	(148)	781	3,014	(39)	(5)	(61)	3,689
Corozal	3,300	(1,058)	(363)	1,878	2,684	(94)	(13)	(99)	4,356
Culebra	888	(204)	(105)	579	852	(29)	(4)	(193)	1,205
Dorado	19,815	(7,356)	(1,983)	10,475	125	(524)	(73)	(20)	9,984
Fajardo	13,309	(4,235)	(1,494)	7,580	775	(379)	(53)	(17)	7,906
Florida	961	(335)	(98)	528	2,267	(26)	(4)	(236)	2,528
Guánica	2,164	(789)	(217)	1,157	2,114	(58)	(8)	(78)	3,128
Guayama	13,127	(4,467)	(1,416)	7,244	435	(362)	(50)	(10)	7,255
Guayanilla	1,822	(700)	(180)	942	1,940	(47)	(7)	(281)	2,548
Guaynabo	78,812	(27,504)	(8,717)	42,591	450	(2,130)	(296)	(684)	39,932
Gurabo	12,037	(4,886)	(1,149)	6,002	1,003	(300)	(42)	(0)	6,663
Hatillo	10,958	(3,420)	(1,409)	6,129	1,116	(306)	(43)	0	6,896
Hormigueros	4,018	(1,325)	(455)	2,239	1,336	(112)	(16)	(0)	3,447
Humacao	19,773	(4,764)	(2,453)	12,555	245	(628)	(87)	(76)	12,009
Isabela	8,220	(2,334)	(961)	4,925	1,496	(246)	(34)	(4)	6,137
Jayuya	1,280	(215)	(177)	887	2,022	(44)	(6)	(51)	2,807
Juana Díaz	5,643	(1,780)	(636)	3,227	1,505	(161)	(22)	(13)	4,535

<sup>21</sup> The Equalization Fund reflects CRIM's lower electronic lottery estimates of \$36.6 million

	Total Property Taxes	Less: CAE Collections	Less: Redemption Fund Collections	Total Base Taxes	Add: Equalization Fund	Less: CRIM Admin Fee	Less: Net Interest	Less: Adjustments	Advances to Munis
<b>Total</b>	<b>\$1,078,804</b>	<b>(\$388,333)</b>	<b>(\$115,747)</b>	<b>\$574,724</b>	<b>\$124,493</b>	<b>(\$28,736)</b>	<b>(\$4,000)</b>	<b>(\$10,945)</b>	<b>\$655,535</b>
Juncos	9,166	(3,822)	(875)	4,469	1,514	(223)	(31)	(57)	5,672
Lajas	4,275	(1,944)	(364)	1,968	1,812	(98)	(14)	(33)	3,635
Lares	2,910	(972)	(308)	1,630	2,532	(81)	(11)	(71)	3,998
Las Marías	706	(119)	(91)	496	2,145	(25)	(3)	(259)	2,354
Las Piedras	6,315	(2,012)	(706)	3,597	1,242	(180)	(25)	(74)	4,560
Loíza	3,244	(1,365)	(287)	1,592	2,694	(80)	(11)	(75)	4,120
Luquillo	4,917	(1,311)	(568)	3,038	1,251	(152)	(21)	(55)	4,061
Manatí	11,682	(3,611)	(1,353)	6,718	1,159	(336)	(47)	0	7,494
Maricao	678	(192)	(81)	405	1,686	(20)	(3)	(281)	1,787
Maunabo	1,123	(334)	(121)	668	2,261	(33)	(5)	(106)	2,785
Mayagüez	32,106	(12,189)	(3,348)	16,569	456	(828)	(115)	(98)	15,983
Moca	4,022	(1,105)	(475)	2,441	2,226	(122)	(17)	(12)	4,516
Morovis	2,821	(989)	(293)	1,538	2,721	(77)	(11)	(58)	4,113
Naguabo	3,291	(954)	(371)	1,966	1,881	(98)	(14)	(22)	3,713
Naranjito	3,165	(1,025)	(352)	1,788	2,803	(89)	(12)	(60)	4,428
Orocovis	1,751	(271)	(232)	1,247	2,945	(62)	(9)	(82)	4,040
Patillas	1,731	(603)	(178)	950	2,128	(48)	(7)	(119)	2,905
Peñuelas	4,443	(947)	(557)	2,939	1,532	(147)	(20)	(123)	4,181
Ponce	52,534	(22,428)	(5,169)	24,937	654	(1,247)	(174)	(155)	24,016
Quebradillas	2,658	(631)	(325)	1,702	2,043	(85)	(12)	(15)	3,633
Rincón	4,078	(1,525)	(393)	2,159	1,660	(108)	(15)	(38)	3,658
Río Grande	12,788	(4,137)	(1,366)	7,285	306	(364)	(51)	(55)	7,121
Sabana Grande	2,726	(969)	(285)	1,471	1,954	(74)	(10)	(33)	3,309
Salinas	3,420	(1,212)	(357)	1,851	2,015	(93)	(13)	(98)	3,663
San Germán	5,925	(1,949)	(659)	3,316	1,553	(166)	(23)	(7)	4,674
San Juan	238,412	(86,821)	(25,550)	126,041	459	(6,302)	(877)	(2,849)	116,472
San Lorenzo	5,537	(1,963)	(595)	2,979	2,047	(149)	(21)	(66)	4,791
San Sebastián	6,449	(1,735)	(765)	3,949	1,775	(197)	(27)	(92)	5,407
Santa Isabel	4,606	(1,870)	(482)	2,254	1,566	(113)	(16)	(70)	3,622
Toa Alta	9,684	(3,809)	(911)	4,965	1,603	(248)	(35)	(111)	6,174
Toa Baja	25,338	(11,685)	(2,407)	11,246	562	(562)	(78)	(257)	10,911
Trujillo Alto	14,391	(5,316)	(1,460)	7,615	1,111	(381)	(53)	(65)	8,226
Utado	2,491	(587)	(303)	1,601	2,622	(80)	(11)	(19)	4,113
Vega Alta	7,522	(1,688)	(940)	4,893	1,405	(245)	(34)	(14)	6,005
Vega Baja	10,476	(3,832)	(1,128)	5,517	983	(276)	(38)	(29)	6,156
Vieques	1,982	(744)	(191)	1,047	1,504	(52)	(7)	(196)	2,295
Villalba	1,947	(637)	(216)	1,094	2,760	(55)	(8)	(150)	3,642
Yabucoa	3,854	(1,481)	(381)	1,992	2,162	(100)	(14)	(55)	3,985
Yauco	6,702	(2,407)	(708)	3,587	1,759	(179)	(25)	(7)	5,135

## Appendix 13: Projected Advances to Municipalities for FY2023 to FY2026

(Dollars in thousands)

	FY2023			FY2024			FY2025			FY2026		
	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis
<b>Total</b>	<b>\$537,282</b>	<b>\$89,704</b>	<b>\$626,986</b>	<b>\$549,644</b>	<b>\$90,048</b>	<b>\$639,691</b>	<b>\$560,614</b>	<b>\$47,018</b>	<b>\$607,632</b>	<b>\$567,435</b>	<b>\$48,035</b>	<b>\$615,470</b>
Adjuntas	709	1,694	2,403	729	1,731	2,460	747	915	1,662	762	943	1,705
Aguada	2,952	1,519	4,471	3,041	1,541	4,582	3,125	809	3,934	3,192	829	4,020
Aguadilla	7,835	442	8,277	8,018	426	8,444	8,181	213	8,394	8,286	211	8,497
Aguas Buenas	1,426	1,723	3,150	1,459	1,759	3,218	1,488	929	2,417	1,508	957	2,464
Aibonito	1,806	1,433	3,240	1,845	1,461	3,307	1,880	771	2,651	1,902	794	2,696
Añasco	2,681	1,195	3,876	2,768	1,210	3,978	2,851	634	3,485	2,918	648	3,566
Arecibo	8,535	303	8,838	8,710	286	8,995	8,862	140	9,002	8,953	137	9,090
Arroyo	1,081	1,514	2,595	1,118	1,544	2,663	1,155	815	1,970	1,183	838	2,021
Barceloneta	5,530	899	6,429	5,697	896	6,593	5,856	462	6,318	5,977	466	6,444
Barranquitas	1,364	2,081	3,445	1,407	2,124	3,530	1,447	1,122	2,569	1,480	1,154	2,634
Bayamón	40,560	145	40,705	41,453	28	41,481	42,231	-	42,231	42,658	-	42,658
Cabo Rojo	7,438	106	7,544	7,582	85	7,667	7,713	34	7,747	7,804	27	7,831
Caguas	26,251	348	26,599	26,975	249	27,224	27,645	79	27,724	28,118	41	28,159
Camuy	1,924	1,681	3,604	1,962	1,715	3,677	1,995	906	2,901	2,015	933	2,948
Canóvanas	5,428	1,065	6,493	5,634	1,056	6,690	5,835	542	6,377	6,007	543	6,550
Carolina	34,981	798	35,778	35,664	723	36,386	36,243	341	36,585	36,527	331	36,859
Cataño	10,793	1,693	12,486	11,057	1,703	12,760	11,295	888	12,183	11,429	907	12,336
Cayey	7,503	337	7,840	7,684	320	8,004	7,849	157	8,006	7,954	154	8,108
Ceiba	1,247	1,301	2,548	1,247	1,332	2,580	1,243	706	1,950	1,229	730	1,960
Ciales	767	1,469	2,236	779	1,502	2,281	789	795	1,584	793	819	1,613
Cidra	4,681	907	5,587	4,816	908	5,724	4,918	473	5,391	4,980	483	5,463
Coamo	2,169	1,502	3,670	2,254	1,523	3,777	2,338	799	3,138	2,411	818	3,228
Comerio	694	2,194	2,888	719	2,242	2,961	743	1,186	1,928	763	1,221	1,984
Corozal	1,708	1,950	3,659	1,760	1,988	3,749	1,809	1,049	2,858	1,846	1,079	2,925
Culebra	342	623	965	335	639	974	326	339	665	313	351	664
Dorado	10,061	57	10,118	10,373	8	10,380	10,672	-	10,672	10,911	-	10,911
Fajardo	7,146	563	7,709	7,225	567	7,792	7,281	297	7,578	7,283	307	7,590
Florida	266	1,652	1,918	274	1,690	1,963	280	895	1,174	282	923	1,205
Guánica	1,028	1,539	2,567	1,049	1,572	2,621	1,066	831	1,898	1,077	857	1,933
Guayama	6,969	292	7,260	7,186	264	7,450	7,391	123	7,514	7,553	112	7,665
Guayanilla	623	1,412	2,035	646	1,442	2,087	666	762	1,428	680	785	1,465
Guaynabo	39,874	263	40,137	40,779	142	40,922	41,575	17	41,591	42,025	-	42,025
Gurabo	5,857	697	6,554	6,127	669	6,796	6,401	330	6,731	6,651	317	6,968
Hatillo	5,854	801	6,656	6,008	798	6,806	6,151	412	6,563	6,248	417	6,665
Hormigueros	2,161	966	3,127	2,236	977	3,213	2,308	512	2,819	2,366	523	2,888
Humacao	11,895	156	12,051	12,144	123	12,266	12,363	48	12,411	12,500	38	12,538
Isabela	4,734	1,075	5,809	4,870	1,079	5,949	4,997	561	5,558	5,097	570	5,666
Jayuya	793	1,473	2,265	808	1,506	2,313	820	797	1,617	827	821	1,648
Juana Díaz	3,106	1,084	4,190	3,215	1,092	4,307	3,319	570	3,889	3,403	580	3,983

	FY2023			FY2024			FY2025			FY2026		
	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis	Net Base Taxes	Equalization Fund	Advances to Munis
<b>Total</b>	<b>\$537,282</b>	<b>\$89,704</b>	<b>\$626,986</b>	<b>\$549,644</b>	<b>\$90,048</b>	<b>\$639,691</b>	<b>\$560,614</b>	<b>\$47,018</b>	<b>\$607,632</b>	<b>\$567,435</b>	<b>\$48,035</b>	<b>\$615,470</b>
Juncos	4,259	1,086	5,345	4,408	1,088	5,496	4,553	564	5,117	4,675	571	5,245
Lajas	1,856	1,315	3,171	1,901	1,339	3,240	1,941	706	2,647	1,972	725	2,697
Lares	1,490	1,842	3,331	1,524	1,880	3,404	1,553	994	2,547	1,571	1,023	2,594
Las Marías	222	1,561	1,783	238	1,596	1,834	253	844	1,097	264	870	1,134
Las Piedras	3,397	892	4,289	3,513	894	4,407	3,625	464	4,089	3,717	470	4,188
Loíza	1,451	1,960	3,411	1,485	2,001	3,486	1,514	1,057	2,571	1,533	1,089	2,622
Luquillo	2,830	909	3,738	2,874	923	3,797	2,911	486	3,397	2,930	500	3,430
Manatí	6,386	837	7,223	6,500	841	7,342	6,597	439	7,036	6,644	449	7,093
Maricao	117	1,227	1,343	137	1,252	1,390	158	662	820	178	681	858
Maunabo	534	1,647	2,180	547	1,684	2,231	559	891	1,450	567	918	1,485
Mayagüez	15,702	303	16,006	16,032	264	16,296	16,320	118	16,438	16,494	108	16,603
Moca	2,342	1,613	3,956	2,415	1,640	4,056	2,484	863	3,347	2,537	885	3,423
Morovis	1,428	1,978	3,405	1,477	2,017	3,494	1,525	1,064	2,589	1,566	1,094	2,660
Naguabo	1,875	1,364	3,239	1,938	1,386	3,324	1,999	729	2,728	2,051	747	2,798
Naranjito	1,666	2,036	3,703	1,724	2,075	3,800	1,780	1,095	2,875	1,826	1,125	2,951
Orocovis	1,110	2,144	3,255	1,135	2,192	3,326	1,156	1,159	2,315	1,170	1,194	2,365
Patillas	789	1,549	2,338	807	1,583	2,391	824	837	1,661	835	863	1,698
Peñuelas	2,692	1,110	3,802	2,754	1,126	3,880	2,806	592	3,398	2,838	608	3,446
Ponce	23,685	422	24,108	24,284	347	24,631	24,817	144	24,961	25,158	120	25,278
Quebradillas	1,636	1,482	3,118	1,696	1,507	3,203	1,753	793	2,546	1,802	814	2,616
Rincón	2,026	1,205	3,231	2,067	1,227	3,294	2,103	647	2,750	2,129	665	2,794
Río Grande	6,928	203	7,132	7,105	180	7,285	7,267	81	7,348	7,386	73	7,459
Sabana Grande	1,384	1,419	2,804	1,427	1,446	2,873	1,466	763	2,229	1,496	784	2,280
Salinas	1,678	1,464	3,142	1,725	1,491	3,216	1,769	786	2,555	1,801	808	2,609
San Germán	3,175	1,123	4,298	3,260	1,137	4,396	3,337	596	3,933	3,394	610	4,004
San Juan	116,524	252	116,776	118,427	14	118,440	119,960	-	119,960	120,485	-	120,485
San Lorenzo	2,787	1,485	4,272	2,859	1,509	4,369	2,925	794	3,719	2,971	815	3,786
San Sebastián	3,697	1,283	4,980	3,792	1,299	5,091	3,878	681	4,559	3,939	697	4,636
Santa Isabel	2,094	1,135	3,229	2,162	1,152	3,314	2,227	605	2,832	2,277	620	2,897
Toa Alta	4,725	1,142	5,867	4,928	1,135	6,063	5,128	583	5,711	5,303	585	5,888
Toa Baja	10,448	394	10,842	10,693	371	11,064	10,909	182	11,091	11,032	178	11,210
Trujillo Alto	7,189	797	7,986	7,337	794	8,130	7,461	411	7,871	7,525	418	7,943
Utua	1,503	1,909	3,412	1,526	1,951	3,477	1,545	1,032	2,577	1,555	1,064	2,618
Vega Alta	4,688	1,009	5,697	4,820	1,012	5,832	4,944	526	5,470	5,042	534	5,576
Vega Baja	5,222	708	5,930	5,329	710	6,039	5,422	370	5,791	5,473	377	5,851
Vieques	797	1,096	1,892	810	1,120	1,930	821	592	1,414	827	610	1,437
Villalba	901	2,009	2,910	929	2,052	2,982	955	1,085	2,040	972	1,118	2,090
Yabucoa	1,855	1,570	3,425	1,903	1,600	3,503	1,946	844	2,790	1,977	868	2,844
Yauco	3,424	1,274	4,699	3,502	1,293	4,795	3,568	680	4,248	3,611	698	4,308

## Appendix 14: Disparity in Revenue Capacity Between Municipalities (FY2019)<sup>22</sup>

(Dollars in thousands)

	General Fund ("GF") Budget	Equalization Fund	Eq. Fund % of total GF Budget	Est. Population	Per capita GF budget (\$ actual)
<b>Total</b>	<b>\$1,951,686</b>	<b>\$216,073</b>	<b>11.1%</b>	<b>3,195,153</b>	<b>\$611</b>
Adjuntas	7,791	4,532	58.2%	17,302.0	450
Aguada	11,550	3,841	33.3%	36,621.0	315
Aguadilla	14,555	222	1.5%	50,598.0	288
Aguas Buenas	8,322	4,581	55.0%	24,848.0	335
Aibonito	8,462	3,667	43.3%	22,143.0	382
Añasco	11,500	3,047	26.5%	26,031.0	442
Arecibo	33,491	-	0.0%	82,114.0	408
Arroyo	9,324	4,059	43.5%	17,169.0	543
Barceloneta	24,027	1,663	6.9%	23,504.0	1,022
Barranquitas	8,763	5,566	63.5%	27,476.0	319
Bayamon	116,643	-	0.0%	170,480.0	684
Cabo Rojo	15,512	-	0.0%	47,117.0	329
Caguas	82,707	-	0.0%	124,434.0	665
Camuy	11,449	4,429	38.7%	30,503.0	375
Canovanas	19,916	2,991	15.0%	44,296.0	450
Carolina	78,925	-	0.0%	147,661.0	534
Cataño	33,652	3,629	10.8%	23,244.0	1,448
Cayey	27,058	240	0.9%	42,349.0	639
Ceiba	7,715	3,413	44.2%	11,018.0	700
Ciales	7,829	3,905	49.9%	15,918.0	492
Cidra	14,922	1,983	13.3%	38,288.0	390
Coamo	11,659	3,846	33.0%	37,845.0	308
Comerio	9,727	5,963	61.3%	18,598.0	523
Corozal	10,417	5,348	51.3%	32,320.0	322
Culebra	4,235	1,647	38.9%	1,710.0	2,477
Dorado	20,049	-	0.0%	35,779.0	560
Fajardo	18,466	437	2.4%	29,699.0	622
Florida	6,720	4,454	66.3%	11,329.0	593
Guanica	9,640	4,086	42.4%	15,551.0	620
Guayama	20,633	-	0.0%	39,521.0	522
Guayanilla	8,487	3,750	44.2%	17,719.0	479
Guaynabo	128,419	-	0.0%	83,787.0	1,533
Gurabo	18,317	1,281	7.0%	46,068.0	398
Hatillo	18,549	1,513	8.2%	38,826.0	478
Hormigueros	8,704	2,445	28.1%	15,462.0	563
Humacao	39,084	-	0.0%	50,532.0	773
Isabela	12,575	2,494	19.8%	40,268.0	312
Jayuya	8,049	3,926	48.8%	13,947.0	577
Juana Diaz	13,423	2,687	20.0%	44,510.0	302

<sup>22</sup> General Fund budget as reported by the Puerto Rico Office of Management and Budget; budgeted amounts vary from actual revenue

	General Fund ("GF") Budget	Equalization Fund	Eq. Fund % of total GF Budget	Est. Population	Per capita GF budget (\$ actual)
<b>Total</b>	<b>\$1,951,686</b>	<b>\$216,073</b>	<b>11.1%</b>	<b>3,195,153</b>	<b>\$611</b>
Juncos	28,958	2,787	9.6%	37,723.0	768
Lajas	9,305	3,411	36.7%	21,991.0	423
Lares	11,686	4,904	42.0%	24,484.0	477
Las Marias	5,981	4,261	71.2%	7,961.0	751
Las Piedras	12,563	2,096	16.7%	36,458.0	345
Loiza	9,636	5,165	53.6%	24,686.0	390
Luquillo	7,484	2,100	28.1%	17,594.0	425
Manatí	26,806	1,647	6.1%	37,393.0	717
Maricao	4,942	3,370	68.2%	5,426.0	911
Maunabo	7,287	4,450	61.1%	10,370.0	703
Mayaguez	61,545	-	0.0%	71,986.0	855
Moca	10,339	4,156	40.2%	34,909.0	296
Morovis	10,485	5,273	50.3%	30,068.0	349
Naguabo	8,161	3,550	43.5%	25,376.0	322
Naranjito	10,139	5,452	53.8%	27,209.0	373
Orocovis	8,657	5,832	67.4%	20,221.0	428
Patillas	7,972	4,088	51.3%	16,310.0	489
Peñuelas	14,705	2,756	18.7%	19,402.0	758
Ponce	82,437	-	0.0%	133,191.0	619
Quebradillas	7,706	3,879	50.3%	22,828.0	338
Rincon	7,930	3,016	38.0%	13,627.0	582
Rio Grande	16,274	-	0.0%	47,889.0	340
Sabana Grande	9,205	3,719	40.4%	21,741.0	423
Salinas	10,230	3,798	37.1%	27,083.0	378
San German	13,531	2,723	20.1%	30,229.0	448
San Juan	435,708	-	0.0%	320,967.0	1,357
San Lorenzo	14,000	3,721	26.6%	35,900.0	390
San Sebastian	12,906	3,214	24.9%	35,652.0	362
Santa Isabel	10,528	2,874	27.3%	21,037.0	500
Toa Alta	13,535	2,695	19.9%	71,094.0	190
Toa Baja	33,381	53	0.2%	74,623.0	447
Trujillo Alto	19,653	1,276	6.5%	63,746.0	308
Utuado	9,597	5,018	52.3%	27,545.0	348
Vega Alta	12,176	2,236	18.4%	35,806.0	340
Vega Baja	13,597	1,228	9.0%	50,185.0	271
Vieques	12,454	2,864	23.0%	8,364.0	1,489
Villalba	12,362	5,461	44.2%	21,476.0	576
Yabucoa	13,078	4,114	31.5%	32,158.0	407
Yauco	13,485	3,240	24.0%	33,860.0	398

## Appendix 15. Repayment of FY2020 PayGo and ASES by Municipality<sup>23</sup>

(Dollars in actuals)

### FY2020 PayGo Repayments

	FY2020 Billed Amount	Payments						Total Payments	FY20 Outstanding PayGo Debt
		CW Transfer	Act 253-2018 Funds	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments		
<b>Total</b>	<b>\$165,734,029</b>	<b>(\$129,223,016)</b>	<b>(\$5,901,071)</b>	<b>(\$4,105,528)</b>	<b>(\$5,311,321)</b>	<b>(\$12,553,911)</b>	<b>(\$6,672,443)</b>	<b>(\$163,767,290)</b>	<b>\$1,966,730</b>
Adjuntas	749,221	(542,243)	(4,270)	-	-	-	(202,709)	(749,221)	-
Aguada	1,133,578	(825,150)	-	(13,925)	(294,503)	-	-	(1,133,578)	-
Aguadilla	2,362,178	(1,699,056)	(54,155)	(33,071)	-	(371,770)	-	(2,158,051)	204,126
Aguas Buenas	498,484	(378,131)	-	-	-	-	(120,353)	(498,484)	-
Aibonito	419,762	(257,918)	-	(86,621)	-	-	(75,224)	(419,763)	-
Añasco	518,895	(387,567)	(58,257)	-	(73,071)	-	-	(518,895)	-
Arecibo	3,500,446	(2,596,841)	(715,152)	(188,453)	-	-	-	(3,500,446)	-
Arroyo	302,407	(251,372)	(45,902)	-	-	-	(5,132)	(302,406)	-
Barceloneta	587,318	(318,737)	(268,581)	-	-	-	-	(587,318)	-
Barranquitas	915,210	(591,151)	(2,512)	-	-	-	(321,546)	(915,209)	-
Bayamon	5,538,340	(3,896,567)	(1,641,773)	-	-	-	-	(5,538,340)	-
Cabo Rojo	1,218,105	(922,571)	-	(43,564)	-	(69,811)	(182,159)	(1,218,105)	-
Caguas	6,968,773	(5,704,158)	-	(230,823)	(1,033,792)	-	-	(6,968,773)	-
Camuy	897,000	(654,480)	-	-	(242,520)	-	-	(897,000)	-
Canovanas	1,463,921	(1,027,604)	-	-	-	(290,255)	(146,062)	(1,463,921)	-
Carolina	9,286,142	(7,269,991)	-	(2,016,151)	-	-	-	(9,286,142)	-
Cataño	1,764,535	(1,470,864)	(67,819)	-	-	(91,000)	(134,852)	(1,764,535)	-
Cayey	1,669,631	(1,229,385)	-	-	-	-	(440,246)	(1,669,631)	-
Ceiba	689,464	(505,960)	(96,446)	-	(87,058)	-	-	(689,463)	-
Ciales	558,207	(426,042)	-	(5,690)	(126,474)	-	-	(558,206)	-
Cidra	1,342,473	(1,018,501)	(82,815)	(225,009)	-	-	(16,148)	(1,342,473)	-
Coamo	744,155	(564,974)	-	-	-	-	(179,181)	(744,155)	-
Comerio	756,853	(481,572)	(25,953)	-	-	-	(249,327)	(756,853)	-
Corozal	688,450	(522,203)	(1,080)	-	(165,166)	-	-	(688,450)	-
Culebra	188,806	(141,028)	-	(12,746)	-	-	(35,031)	(188,805)	-
Dorado	1,347,601	(842,078)	(34,429)	0	(253,058)	-	(218,036)	(1,347,601)	-
Fajardo	1,048,616	(838,228)	(127,922)	(53,371)	(29,095)	-	-	(1,048,616)	-
Florida	252,129	(203,996)	-	-	(48,133)	-	-	(252,129)	-
Guanica	168,244	(120,873)	-	-	-	-	(47,371)	(168,244)	-
Guayama	444,732	(444,732)	-	-	-	-	-	(444,732)	-
Guayanilla	882,855	(644,390)	(11,497)	-	-	-	(89,429)	(745,317)	137,538
Guaymabo	8,660,614	(7,213,947)	-	-	-	(1,223,154)	(199,064)	(8,636,165)	24,449
Gurabo	687,348	(542,588)	(144,760)	-	-	-	-	(687,348)	-
Hatillo	778,547	(581,926)	(196,621)	-	-	-	-	(778,547)	-
Hormigueros	893,743	(646,176)	(394)	-	-	(58,997)	(188,176)	(893,743)	-
Humacao	2,061,471	(1,609,096)	(214,388)	-	-	-	(237,986)	(2,061,470)	-
Isabela	1,052,957	(683,683)	-	(5,274)	-	-	(363,999)	(1,052,956)	-
Jayuya	355,192	(281,669)	-	-	-	-	(73,524)	(355,193)	-
Juana Diaz	756,737	(562,208)	-	(194,529)	-	-	-	(756,737)	-

<sup>23</sup> PayGo debt outstanding is based on the invoices sent by ERS on March 2021 adjusted for incremental payments made by CRIM on behalf of the Municipalities from the year-end liquidation proceeds; Healthcare debt outstanding is based on the March 2021 reporting from ASES

	FY2020 Billed Amount	Payments						Total Payments	FY20 Outstanding PayGo Debt
		CW Transfer	Act 253-2018 Funds	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments		
<b>Total</b>	<b>\$165,734,029</b>	<b>(\$129,223,016)</b>	<b>(\$5,901,071)</b>	<b>(\$4,105,528)</b>	<b>(\$5,311,321)</b>	<b>(\$12,553,911)</b>	<b>(\$6,672,443)</b>	<b>(\$163,767,290)</b>	<b>\$1,966,730</b>
Juncos	763,915	(442,043)	(32,515)	(289,357)	-	-	-	(763,915)	-
Lajas	851,976	(618,704)	-	-	-	-	(233,272)	(851,976)	-
Lares	960,238	(707,246)	-	-	-	-	(252,992)	(960,238)	-
Las Marias	613,558	(449,948)	-	(2,100)	-	-	(8,371)	(460,419)	153,139
Las Piedras	710,598	(476,290)	-	-	-	(234,307)	-	(710,597)	-
Loiza	485,579	(385,619)	(25,571)	-	-	-	(39,228)	(450,418)	35,161
Luquillo	738,722	(495,141)	-	-	(239,573)	(4,008)	-	(738,721)	-
Manati	750,360	(493,861)	(170,643)	(85,856)	-	-	-	(750,360)	-
Maricao	508,527	(373,602)	-	-	(121,332)	(11,068)	-	(506,002)	2,524
Maunabo	525,129	(379,161)	(68,356)	-	-	-	(42,903)	(490,420)	34,709
Mayaguez	4,624,016	(3,519,343)	-	-	-	-	(1,104,672)	(4,624,015)	-
Moca	428,677	(256,893)	(114,801)	-	-	-	(56,983)	(428,677)	-
Morovis	1,062,188	(765,318)	(100,648)	(14,719)	(173,715)	-	(7,787)	(1,062,187)	-
Naguabo	345,540	(237,537)	(48,411)	(59,591)	-	-	-	(345,539)	-
Naranjito	840,802	(614,058)	-	(34,674)	-	(90,336)	(101,734)	(840,802)	-
Orocovis	390,396	(309,261)	-	-	(70,023)	-	(11,112)	(390,396)	-
Patillas	695,507	(505,290)	(61,472)	-	-	-	-	(566,763)	128,744
Peñuelas	1,224,523	(887,029)	(166,642)	-	-	-	-	(1,053,671)	170,852
Ponce	7,792,057	(6,534,130)	-	-	-	(495,683)	-	(7,029,812)	762,245
Quebradillas	684,426	(509,822)	(149,838)	(21,201)	-	-	(3,565)	(684,426)	-
Rincon	491,012	(371,578)	(42,746)	(23,018)	-	-	(53,670)	(491,012)	-
Rio Grande	1,381,931	(1,036,942)	(278,305)	-	(66,684)	-	-	(1,381,931)	-
Sabana Grande	778,054	(556,091)	(800)	-	(221,164)	-	-	(778,054)	-
Salinas	738,150	(557,124)	(38,488)	-	-	(110,527)	(32,011)	(738,150)	-
San German	1,329,897	(995,682)	-	(17,256)	(130,659)	-	(186,300)	(1,329,897)	-
San Juan	56,204,804	(46,213,982)	-	(249,107)	-	(9,428,473)	-	(55,891,562)	313,243
San Lorenzo	213,975	(213,975)	-	-	-	-	-	(213,975)	-
San Sebastian	1,614,515	(1,176,028)	-	(971)	(400,287)	-	(37,228)	(1,614,514)	-
Santa Isabel	908,499	(648,419)	(99,279)	(31,451)	-	-	(129,349)	(908,498)	-
Toa Alta	795,662	(638,078)	-	-	(157,584)	-	-	(795,662)	-
Toa Baja	3,786,141	(2,754,553)	(187,037)	(102,656)	(741,895)	-	-	(3,786,141)	-
Trujillo Alto	1,816,135	(1,330,609)	-	(11,965)	(473,561)	-	-	(1,816,135)	-
Utado	1,231,376	(888,963)	-	-	-	-	(342,413)	(1,231,376)	-
Vega Alta	790,032	(626,377)	(103,047)	-	(60,607)	-	-	(790,032)	-
Vega Baja	1,595,152	(1,177,322)	-	(23,444)	-	-	(394,386)	(1,595,152)	-
Vieques	751,353	(553,193)	(198,160)	-	-	-	-	(751,353)	-
Villalba	177,411	(135,452)	(41,958)	-	-	-	-	(177,410)	-
Yabucoa	750,345	(559,723)	(89,253)	-	(101,369)	-	-	(750,345)	-
Yauco	1,229,713	(928,970)	(88,373)	(28,935)	-	(74,523)	(108,912)	(1,229,713)	-



*FY2020 Healthcare Repayments*

	FY2020 Billed Amount	Payments				Total Payments	FY20 Outstanding ASES Debt
		CW Transfer	Lottery Proceeds	Excess CAE	Year-end Liquidation		
<b>Total</b>	<b>\$31,562,835</b>	<b>(\$2,522,584)</b>	<b>(\$886,891)</b>	<b>(\$5,623,189)</b>	<b>(\$4,113,531)</b>	<b>(\$13,146,195)</b>	<b>\$18,416,638</b>
Adjuntas	59,774	-	-	(59,774)	-	(59,774)	-
Aguada	97,499	-	-	(97,499)	-	(97,499)	-
Aguadilla	172,717	-	-	-	-	-	172,717
Aguas Buenas	65,665	-	-	-	(65,665)	(65,665)	-
Aibonito	71,073	(68,562)	-	-	(2,511)	(71,073)	-
Añasco	59,333	-	-	(59,333)	-	(59,333)	-
Arecibo	424,323	(32,607)	-	(390,522)	(1,195)	(424,324)	-
Arroyo	72,627	-	-	-	-	-	72,627
Barceloneta	227,224	(219,195)	-	-	(8,029)	(227,224)	-
Barranquitas	67,579	(65,191)	-	-	(2,388)	(67,579)	-
Bayamon	2,109,893	(1,186,335)	(880,104)	-	(43,455)	(2,109,894)	-
Cabo Rojo	158,319	-	-	-	(158,319)	(158,319)	-
Caguas	1,541,509	-	-	(739,034)	(802,474)	(1,541,509)	-
Camuy	79,447	-	-	(79,447)	-	(79,447)	-
Canovanas	69,205	-	-	-	(69,205)	(69,205)	-
Carolina	1,560,273	-	-	-	(1,560,273)	(1,560,273)	-
Cataño	429,911	-	-	-	(429,911)	(429,911)	-
Cayey	164,542	-	-	(164,542)	-	(164,542)	-
Ceiba	65,400	-	-	(65,400)	-	(65,400)	-
Ciales	77,425	-	-	(77,425)	-	(77,425)	-
Cidra	177,073	-	-	-	(155,438)	(155,438)	21,635
Coamo	98,754	-	-	(98,754)	-	(98,754)	-
Comerio	78,005	(75,249)	-	-	-	(75,249)	2,756
Corozal	90,648	-	-	(85,214)	-	(85,214)	5,434
Culebra	21,601	-	-	(21,601)	-	(21,601)	-
Dorado	185,524	(178,968)	-	-	(6,555)	(185,523)	-
Fajardo	201,972	-	-	(194,081)	(7,891)	(201,972)	-
Florida	52,221	-	-	(52,221)	-	(52,221)	-
Guanica	70,319	(37,649)	-	-	(32,670)	(70,319)	-
Guayama	219,954	(757)	-	(219,169)	(28)	(219,954)	-
Guayanilla	78,539	-	-	-	-	-	78,539
Guaynabo	2,704,203	-	-	-	(169,272)	(169,272)	2,534,931
Gurabo	159,736	(24,294)	-	-	(135,442)	(159,736)	-
Hatillo	133,007	(28,032)	-	(103,949)	(1,026)	(133,007)	-
Hormigueros	70,315	-	-	-	-	-	70,315
Humacao	339,210	-	-	(178,688)	(160,522)	(339,210)	-
Isabela	66,958	(64,592)	-	-	(2,366)	(66,958)	-
Jayuya	65,041	-	-	(30,884)	(2,148)	(33,032)	32,009
Juana Diaz	146,563	(41,716)	-	(103,319)	(1,528)	(146,563)	-

	FY2020 Billed Amount	Payments				Total Payments	FY20 Outstanding ASES Debt
		CW Transfer	Lottery Proceeds	Excess CAE	Year-end Liquidation		
<b>Total</b>	<b>\$31,562,835</b>	<b>(\$2,522,584)</b>	<b>(\$886,891)</b>	<b>(\$5,623,189)</b>	<b>(\$4,113,531)</b>	<b>(\$13,146,195)</b>	<b>\$18,416,638</b>
Juncos	212,244	(204,744)	-	-	(7,499)	(212,243)	-
Lajas	71,096	-	-	(71,096)	-	(71,096)	-
Lares	94,933	-	-	(94,933)	-	(94,933)	-
Las Marias	57,739	-	-	-	-	-	57,739
Las Piedras	-	-	-	-	-	-	-
Loiza	89,743	-	-	-	-	-	89,743
Luquillo	-	-	-	-	-	-	-
Manati	182,575	(126,809)	-	-	(55,766)	(182,575)	-
Maricao	48,867	-	-	-	-	-	48,867
Maunabo	40,558	-	-	-	-	-	40,558
Mayaguez	626,646	-	-	(626,646)	-	(626,646)	-
Moca	92,302	(89,040)	-	-	(3,261)	(92,301)	-
Morovis	79,624	-	-	(79,624)	-	(79,624)	-
Naguabo	50,618	(27,005)	-	(22,624)	(989)	(50,618)	-
Naranjito	75,337	-	-	-	-	-	75,337
Orocovis	71,005	-	-	(3,902)	(4,010)	(7,913)	63,092
Patillas	58,358	-	-	-	-	-	58,358
Peñuelas	98,874	-	-	-	-	-	98,874
Ponce	1,956,495	-	-	-	-	-	1,956,495
Quebradillas	76,200	-	-	(76,200)	-	(76,200)	-
Rincon	63,362	-	-	(63,362)	-	(63,362)	-
Rio Grande	165,128	-	-	(165,128)	-	(165,128)	-
Sabana Grande	51,601	-	-	(51,601)	-	(51,601)	-
Salinas	93,048	-	-	-	(57,904)	(57,904)	35,143
San German	155,604	-	-	(155,604)	-	(155,604)	-
San Juan	12,743,846	-	-	-	-	-	12,743,846
San Lorenzo	123,421	(11,740)	-	(111,251)	(430)	(123,421)	-
San Sebastian	140,053	-	-	-	(140,053)	(140,053)	-
Santa Isabel	58,906	-	-	(58,906)	-	(58,906)	-
Toa Alta	156,315	-	-	(156,315)	-	(156,315)	-
Toa Baja	323,496	-	-	(323,496)	-	(323,496)	-
Trujillo Alto	169,059	-	-	(143,857)	(25,202)	(169,059)	-
Utuado	94,906	-	-	(94,906)	-	(94,906)	-
Vega Alta	144,488	-	-	(144,488)	-	(144,488)	-
Vega Baja	161,346	-	-	(161,346)	-	(161,346)	-
Vieques	78,383	(2,848)	(6,787)	(68,644)	(105)	(78,384)	-
Villalba	82,289	(37,251)	-	(43,673)	-	(80,924)	1,365
Yabucoa	84,731	-	-	(84,731)	-	(84,731)	-
Yauco	156,258	-	-	-	-	-	156,258

Note: Numbers may not add up due to rounding

## Appendix 16: FY2018 and FY2019 PayGo Debt Outstanding by Municipality<sup>24</sup>

(Dollars in thousands)

	FY2018	FY2019	Total Debt	Payment Plan Executed
<b>Total</b>	<b>\$22,205</b>	<b>\$76,507</b>	<b>\$98,712</b>	
Adjuntas	-	-	-	
Aguada	-	-	-	
Aguadilla	-	-	-	
Aguas Buenas	-	-	-	
Aibonito	-	-	-	
Añasco	-	-	-	
Arecibo	1,847	3,526	5,373	In Process
Arroyo	-	-	-	
Barceloneta	-	-	-	
Barranquitas	-	-	-	
Bayamón	-	-	-	
Cabo Rojo	344	722	1,067	Yes
Caguas	1,383	-	1,383	Yes
Camuy	-	-	-	
Canóvanas	117	-	117	Yes
Carolina	-	-	-	
Cataño	-	-	-	
Cayey	-	135	135	Yes
Ceiba	-	477	477	Yes
Ciales	-	-	-	
Cidra	-	-	-	
Coamo	-	-	-	
Comerío	-	-	-	
Corozal	-	-	-	
Culebra	-	-	-	
Dorado	-	-	-	
Fajardo	-	-	-	
Florida	-	-	-	
Guánica	-	-	-	
Guayama	-	-	-	
Guayanilla	349	-	349	Yes
Guaynabo	-	-	-	
Gurabo	-	-	-	
Hatillo	-	-	-	
Hormigueros	-	-	-	
Humacao	-	-	-	
Isabela	-	-	-	
Jayuya	-	-	-	
Juana Díaz	-	-	-	

<sup>24</sup> AAFAF. PayGo and Individual Contribution Debt by Entity For the month of January FY21

	FY2018	FY2019	Total Debt	Payment Plan Executed
<b>Total</b>	<b>\$22,205</b>	<b>\$76,507</b>	<b>\$98,712</b>	
Juncos	-	-	-	
Lajas	-	-	-	
Lares	-	-	-	
Las Marías	304	-	304	Yes
Las Piedras	-	-	-	
Loíza	-	-	-	
Luquillo	-	60	60	No
Manatí	-	-	-	
Maricao	285	495	780	No
Maunabo	166	364	530	Yes
Mayagüez	-	4,433	4,433	Yes
Moca	-	-	-	
Morovis	-	-	-	
Naguabo	-	-	-	
Naranjito	-	-	-	
Orocovis	-	-	-	
Patillas	107	456	563	Yes
Peñuelas	635	-	635	Yes
Ponce	-	4,192	4,192	Yes
Quebradillas	-	-	-	
Rincón	-	-	-	
Río Grande	181	558	739	Yes
Sabana Grande	184	-	184	Yes
Salinas	-	-	-	
San Germán	-	-	-	
San Juan	12,389	56,026	68,415	In Process
San Lorenzo	-	-	-	
San Sebastián	-	-	-	
Santa Isabel	527	899	1,426	Yes
Toa Alta	-	-	-	
Toa Baja	3,388	3,459	6,847	Yes
Trujillo Alto	-	-	-	
Utua	-	-	-	
Vega Alta	-	-	-	
Vega Baja	-	-	-	
Vieques	-	-	-	
Villalba	-	-	-	
Yabucoa	-	8	8	Yes
Yauco	-	698	698	No

## Appendix 17: Projected Municipal PayGo Debt for FY2022 to FY2026

(Dollars in thousands)

	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Total</b>	<b>\$163,748</b>	<b>\$158,317</b>	<b>\$158,529</b>	<b>\$158,068</b>	<b>\$157,711</b>
Adjuntas	751	724	709	688	669
Aguada	1,117	1,107	1,139	1,169	1,195
Aguadilla	2,263	2,213	2,253	2,250	2,269
Aguas Buenas	456	433	424	424	419
Aibonito	361	357	373	386	409
Añasco	493	466	461	449	435
Arecibo	3,411	3,315	3,338	3,303	3,274
Arroyo	326	339	337	342	366
Barceloneta	580	584	607	655	699
Barranquitas	851	830	835	842	845
Bayamon	8,665	8,429	8,335	8,244	8,074
Cabo Rojo	1,266	1,259	1,286	1,275	1,313
Caguas	6,711	6,437	6,432	6,431	6,418
Camuy	845	835	854	864	874
Canovanas	1,431	1,363	1,351	1,323	1,304
Carolina	9,027	8,857	8,844	8,834	8,799
Cataño	1,720	1,674	1,734	1,782	1,827
Cayey	1,634	1,592	1,591	1,586	1,608
Ceiba	684	669	669	677	669
Ciales	519	514	531	543	564
Cidra	1,349	1,288	1,314	1,318	1,339
Coamo	683	680	680	672	680
Comerio	733	706	692	685	671
Corozal	689	666	659	654	658
Culebra	184	172	165	158	160
Dorado	1,321	1,268	1,290	1,323	1,328
Fajardo	1,044	1,005	1,004	1,009	998
Florida	251	238	233	244	248
Guanica	146	128	145	154	168
Guayama	415	395	457	489	545
Guayanilla	853	806	790	759	732
Guaynabo	8,364	7,925	7,840	7,699	7,586
Gurabo	706	675	653	650	631
Hatillo	729	711	743	776	809
Hormigueros	750	738	758	766	793
Humacao	2,009	2,026	2,073	2,158	2,182
Isabela	1,006	989	976	978	980
Jayuya	365	382	407	423	444
Juana Diaz	694	696	722	735	757

	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Total</b>	<b>\$163,748</b>	<b>\$158,317</b>	<b>\$158,529</b>	<b>\$158,068</b>	<b>\$157,711</b>
Juncos	729	732	767	787	805
Lajas	771	788	846	867	907
Lares	963	950	940	914	900
Las Marias	602	580	582	566	556
Las Piedras	712	689	702	733	779
Loiza	476	464	469	482	489
Luquillo	717	688	692	681	688
Manati	709	660	665	668	688
Maricao	494	477	467	477	471
Maunabo	514	503	514	515	513
Mayaguez	4,528	4,456	4,483	4,456	4,465
Moca	409	392	410	425	450
Morovis	1,016	985	953	940	925
Naguabo	363	339	351	358	364
Naranjito	791	771	779	802	802
Orocovis	382	382	391	401	410
Patillas	681	668	681	679	683
Peñuelas	1,092	1,075	1,082	1,068	1,071
Ponce	7,586	7,399	7,502	7,545	7,565
Quebradillas	647	649	653	668	669
Rincon	465	454	479	495	511
Rio Grande	1,286	1,254	1,293	1,310	1,346
Sabana Grande	769	726	727	722	710
Salinas	698	698	702	710	704
San German	1,302	1,250	1,248	1,247	1,237
San Juan	54,531	52,124	51,757	51,212	50,693
San Lorenzo	180	159	179	175	190
San Sebastian	1,587	1,560	1,525	1,483	1,449
Santa Isabel	873	847	822	810	788
Toa Alta	782	755	783	796	807
Toa Baja	3,685	3,549	3,515	3,468	3,441
Trujillo Alto	1,804	1,763	1,808	1,836	1,874
Utua	1,158	1,139	1,129	1,138	1,112
Vega Alta	753	710	718	707	705
Vega Baja	1,527	1,464	1,471	1,444	1,441
Vieques	731	729	753	760	763
Villalba	155	162	162	189	192
Yabucoa	720	692	695	700	695
Yauco	1,159	1,146	1,131	1,115	1,111

## Appendix 18: Projected Municipal ASES Debt for FY2022

(Dollars in actuals)

	Statutory Obligation (per Act 72-1993)	Actual Obligation (reflecting Federal aid)	Municipal Relief
<b>Total</b>	<b>\$163,916,900</b>	<b>\$139,147,235</b>	<b>(\$24,769,665)</b>
Adjuntas	292,337	248,162	(44,175)
Aguada	492,975	418,481	(74,494)
Aguadilla	1,276,434	1,083,551	(192,883)
Aguas Buenas	332,016	281,845	(50,171)
Aibonito	359,359	305,056	(54,303)
Añasco	300,000	254,667	(45,333)
Arecibo	2,145,456	1,821,253	(324,202)
Arroyo	367,214	311,724	(55,490)
Barceloneta	1,148,888	975,278	(173,610)
Barranquitas	341,693	290,059	(51,634)
Bayamon	10,668,000	9,055,947	(1,612,053)
Cabo Rojo	800,489	679,526	(120,963)
Caguas	7,794,147	6,616,365	(1,177,782)
Camuy	401,696	340,995	(60,701)
Canovanas	685,929	582,278	(103,652)
Carolina	7,889,022	6,696,903	(1,192,119)
Cataño	2,173,707	1,845,236	(328,471)
Cayey	831,955	706,237	(125,718)
Ceiba	330,672	280,704	(49,968)
Ciales	340,920	289,403	(51,517)
Cidra	895,235	759,955	(135,280)
Coamo	499,317	423,865	(75,452)
Comerio	394,406	334,807	(59,599)
Corozal	458,331	389,072	(69,259)
Culebra	109,216	92,712	(16,504)
Dorado	938,040	796,292	(141,748)
Fajardo	1,021,209	866,893	(154,316)
Florida	264,041	224,141	(39,899)
Guanica	320,464	272,038	(48,426)
Guayama	1,112,127	944,072	(168,055)
Guayanilla	397,108	337,101	(60,007)
Guaynabo	13,672,936	11,606,804	(2,066,133)
Gurabo	807,653	685,608	(122,045)
Hatillo	672,508	570,885	(101,623)
Hormigueros	355,528	301,803	(53,724)
Humacao	1,715,105	1,455,934	(259,171)
Isabela	338,552	287,393	(51,159)
Jayuya	286,362	243,089	(43,272)
Juana Diaz	716,483	608,214	(108,269)

	Statutory Obligation (per Act 72-1993)	Actual Obligation (reflecting Federal aid)	Municipal Relief
<b>Total</b>	<b>\$163,916,900</b>	<b>\$139,147,235</b>	<b>(\$24,769,665)</b>
Juncos	1,073,141	910,978	(162,164)
Lajas	359,472	305,152	(54,320)
Lares	480,000	407,467	(72,533)
Las Marias	269,262	228,574	(40,689)
Las Piedras	-	-	-
Loiza	398,182	338,012	(60,170)
Luquillo	-	-	-
Manati	923,134	783,639	(139,496)
Maricao	249,613	211,894	(37,719)
Maunabo	205,067	174,079	(30,988)
Mayaguez	3,168,434	2,689,648	(478,786)
Moca	466,695	396,172	(70,523)
Morovis	402,593	341,756	(60,836)
Naguabo	255,933	217,259	(38,674)
Naranjito	380,918	323,357	(57,561)
Orocovis	359,012	304,762	(54,251)
Patillas	295,067	250,479	(44,588)
Peñuelas	499,925	424,381	(75,544)
Ponce	13,694,054	11,624,730	(2,069,324)
Quebradillas	352,867	299,545	(53,322)
Rincon	320,367	271,956	(48,411)
Rio Grande	834,916	708,751	(126,165)
Sabana Grande	207,702	176,316	(31,386)
Salinas	470,467	399,374	(71,093)
San German	786,763	667,875	(118,889)
San Juan	64,435,175	54,698,304	(9,736,871)
San Lorenzo	624,038	529,739	(94,299)
San Sebastian	708,133	601,126	(107,007)
Santa Isabel	297,838	252,831	(45,007)
Toa Alta	790,356	670,925	(119,432)
Toa Baja	1,885,843	1,600,871	(284,972)
Trujillo Alto	854,790	725,622	(129,168)
Utua	367,478	311,948	(55,530)
Vega Alta	721,114	612,145	(108,968)
Vega Baja	800,152	679,240	(120,912)
Vieques	396,321	336,432	(59,888)
Villalba	416,065	353,193	(62,872)
Yabucoa	428,413	363,675	(64,738)
Yauco	790,069	670,681	(119,388)



## Appendix 19: Measures Detail Breakdown by Municipality

(Dollars in thousands)

	Incorrect Mailing Address		New Properties	New Home Improvements	Non-appraised Properties		New Swimming Pools
	Number of Properties	Estimated Value			Estimated Value	Estimated Value	
<b>Total</b>	<b>197,782</b>	<b>\$111,112</b>	<b>\$134,309</b>	<b>\$70,482</b>	<b>17,505</b>	<b>\$7,739</b>	<b>\$2,634</b>
Adjuntas	835	\$180	\$360	\$85	541	\$117	\$4
Aguada	1,746	467	1,286	583	427	114	15
Aguadilla	5,814	2,736	1,641	889	72	34	31
Aguas Buenas	1,270	401	650	251	57	18	13
Aibonito	884	283	792	235	137	44	12
Añasco	1,668	660	804	441	518	205	8
Arecibo	7,937	3,950	4,712	1,099	155	77	58
Arroyo	1,315	327	886	161	1,092	271	7
Barceloneta	1,239	173	788	424	959	134	7
Barranquitas	606	153	1,597	107	139	35	16
Bayamón	6,940	3,938	7,674	3,277	69	39	108
Cabo Rojo	2,998	1,307	1,020	1,531	2	1	67
Caguas	5,400	3,754	4,849	4,202	4	3	149
Camuy	1,297	345	1,281	340	147	39	23
Canóvanas	1,916	1,021	899	1,259	-	-	44
Carolina	7,287	6,093	4,336	6,950	469	392	94
Cataño	1,122	691	2,920	208	175	108	27
Cayey	1,964	1,123	1,144	678	60	34	24
Ceiba	896	285	305	276	15	5	6
Ciales	801	221	641	107	22	6	10
Cidra	1,542	1,172	1,237	883	221	168	34
Coamo	1,581	400	991	550	119	30	23
Comerio	479	107	823	56	43	10	6
Corozal	996	286	1,590	187	39	11	15
Culebra	160	95	114	60	2	1	5
Dorado	1,721	1,667	1,348	2,033	1,416	1,371	113
Fajardo	2,291	1,786	1,138	812	155	121	22
Florida	429	98	408	82	157	36	4
Guánica	728	261	457	79	66	24	7
Guayama	2,996	2,174	1,964	982	822	596	22
Guayanilla	843	243	1,395	85	15	4	6
Guaynabo	9,351	10,848	4,518	2,911	171	198	161
Gurabo	1,756	1,073	1,189	2,554	3	2	79
Hatillo	1,527	624	1,306	610	151	62	28
Hormigueros	505	243	344	297	273	131	5
Humacao	2,980	1,871	2,109	1,054	-	-	42
Isabela	6,311	2,046	619	803	79	26	23
Jayuya	332	89	343	44	303	81	6
Juana Díaz	2,060	639	1,556	709	40	12	25

	<u>Incorrect Mailing Address</u>		<u>New Properties</u>	<u>New Home Improvements</u>	<u>Non-appraised Properties</u>		<u>New Swimming Pools</u>
	Number of Properties	Estimated Value	Estimated Value	Estimated Value	Number of Properties	Estimated Value	Estimated Value
<b>Total</b>	<b>197,782</b>	<b>\$111,112</b>	<b>\$134,309</b>	<b>\$70,482</b>	<b>17,505</b>	<b>\$7,739</b>	<b>\$2,634</b>
Juncos	3,574	1,697	937	412	813	386	24
Lajas	1,271	486	755	275	170	65	17
Lares	1,102	312	1,017	142	31	9	7
Las Marías	317	68	188	39	39	8	1
Las Piedras	1,443	598	1,150	818	51	21	20
Loiza	1,249	539	1,217	453	-	-	7
Luquillo	1,270	565	545	290	220	98	18
Manatí	2,094	1,237	1,559	721	21	12	34
Maricao	163	56	151	17	157	54	1
Maunabo	481	120	391	127	293	73	2
Mayagüez	4,490	3,029	5,722	1,263	3	2	37
Moca	1,547	399	1,011	537	4	1	14
Morovis	811	231	1,332	350	17	5	16
Naguabo	4,170	1,287	678	325	262	81	13
Naranjito	4,452	1,305	1,144	160	-	-	11
Orocovis	360	89	742	102	22	5	11
Patillas	1,785	453	524	175	102	26	10
Peñuelas	966	198	1,045	509	36	7	11
Ponce	7,737	5,188	6,557	2,490	46	31	88
Quebradillas	1,730	421	523	225	170	41	10
Rincón	829	399	418	514	207	100	29
Río Grande	2,287	1,352	857	1,793	151	89	47
Sabana Grande	896	222	585	230	69	17	8
Salinas	2,106	687	1,172	240	29	9	16
San Germán	1,468	515	1,390	476	485	170	13
San Juan	18,245	20,783	24,171	9,646	65	74	314
San Lorenzo	1,387	419	1,130	564	-	-	21
San Sebastián	2,068	592	813	557	61	17	12
Santa Isabel	1,261	407	519	434	1,340	432	15
Toa Alta	8,670	3,192	1,487	2,214	259	95	132
Toa Baja	3,404	1,751	2,941	1,422	417	214	66
Trujillo Alto	2,436	1,260	1,541	2,045	148	77	97
Utuado	1,314	309	1,201	118	121	28	11
Vega Alta	1,792	926	1,520	981	393	203	31
Vega Baja	12,140	4,942	1,760	1,034	265	108	57
Vieques	627	209	488	40	769	256	23
Villalba	428	106	727	97	89	22	13
Yabucoa	1,263	397	1,334	211	462	145	12
Yauco	1,626	539	1,034	539	583	193	18

## Appendix 20: Detailed U.S. Treasury Report Criteria

### **Criteria 1: Stable revenue**

In general, tax revenues should track the overall economy but with greater stability. In Puerto Rico, tax revenue is generally stable year over year.

### **Criteria 2: Revenue buoyancy**

In general, tax revenues ought to grow at about the same rate (or slightly less) than the economy, without the need for increases in tax rates. The tax on real property is not buoyant, as the appraisal level is set at 1957 levels and does not account for increases in property values. Therefore, any revenue increases are only accomplished by increases in the tax rate or expansion to the tax base. Similarly, personal property tax, excluding taxes on inventory, is based on the lesser of the book value or fair market value. This value does not follow changes in the economy to some extent. Inventory tax, on the other hand, is based on current prices and is buoyant.

### **Criteria 3: Broad base**

A broad base will have lower elasticity with respect to income and will, therefore, be more economically neutral. It is also more likely to capture the inherent growth associated with a growing economy. Puerto Rico's tax base is narrow, given that over 200,000 properties are not included in the tax roll, and multiple classes of properties and businesses are exempted from paying taxes.

### **Criteria 4: Compliance costs**

The compliance costs associated with the real property in Puerto Rico are fairly low. However, the compliance costs associated with the personal property are relatively high because the burden of determining the taxable value is placed on the owner.

### **Criteria 5: Cost of administration**

The cost to the tax agency to administer the tax must be kept as low as possible while still maintaining service quality levels. CRIM retains 5% of revenues collected to cover their costs. In the long run, this level appears appropriate. However, given the challenges facing the current system, it is likely additional resources will be required in the short- to medium-term.

### **Criteria 6: Economic neutrality**

The current Puerto Rico property tax system fosters economic inefficiency. For example:

- Taxpayers actively solicit government agencies for property tax relief
- Tangible personal property tax incentivizes firms to employ less efficient equipment and processes for operations
- Inventory tax incentivizes companies to minimize inventories for retail and business-to-business firms
- Current appraisal practices for real property may distort investment decisions
- Some industrial and commercial taxpayers receive preferential treatment.

## Criteria 7: Equity

Tax systems should treat taxpayers of equal means in a similar manner. Tax fairness implies that the tax burden for taxpayers with generally identical taxable assets should be equal. The current Puerto Rico property tax system creates substantial equity concerns. For example, multiple large industrial categories are currently exempt from the property tax. Similarly, current appraisal practices for real property and improvements undermine the fairness in the property tax system as recently constructed residential or business buildings are taxed at the same level as older buildings suffering from functional inadequacies.

The combined result is that the property tax in Puerto Rico badly underperforms relative to its potential. The table below provides an overview of how the current system performs on each of the criteria discussed above.

<b>Criteria</b>	<b>Real Property</b>	<b>Personal Property</b>
<b>1. Stable Revenue</b>	Good	Fair
<b>2. Revenue Buoyancy</b>	Very Poor	Fair
<b>3. Broad Base</b>	Poor	Poor
<b>4. Compliance Costs</b>	Fair	Poor
<b>5. Cost of Administration</b>	Good	Fair
<b>6. Economic Neutrality</b>	Poor	Very Poor
<b>7. Equity</b>	Poor	Very Poor